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The Commercial and FINANCIAL CHRONICLE

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"Thinking Now"

"The many letters already received from editors and publishers indicate that keen interest has been aroused by our advertisements urging the necessity when the war ends of 'a just and durable peace,'" Robert C. Stanley, President of The International Nickel Company, Inc., writes the Editor of the Chronicle.

Robert C. Stanley

The advertisements to which Mr. Stanley refers have been running in the Chronicle and elsewhere during the past few months.

"Fighting now is winning the war . . . Thinking now can win the peace." This is the keynote of new copy the Company is using in its advertisement.

"If the world is to prosper, there must be the same cohesion among the United Nations during the transition period and thereafter as now exists during the world-wide conflict," the company believes. "Internal stability

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Managing A Business For Stockholders Through The Vicissitudes Of Inflation

By DR. IVAN WRIGHT

Professor of Economics, Brooklyn College

Inflation or monetary changes which cause rising prices and increase the costs of doing business are matters of grave concern to everyone interested in the success of corporations. The seasoned management of a corporation knows that changes in prices and costs are major factors determining the profits or losses. An alert management is quick to respond to proved information bearing upon changes in the prices of raw materials and finished goods, consumer buying power, wages, taxes, tariffs, money rates, the cost of capital expansion and replacement, and all similiar changes common to the ordinary ebb and flow of economic activity in business. Research and action upon these changes in costs and prices affecting a corporation's business and profits are among the most difficult problems of the management. Small corporations and other small businesses cannot afford to spend too much time and money on this part of the management. The managers of such enterprises either follow the lead of their larger competitors or merely speculate on the future of costs and prices, and take such action as they think will turn out best. An experienced management will follow the sign posts of change as he has observed them during his past trials-and-errors. But when inflation and deflation are added to all the other uncertainties of business, the management has new complexities from which few corporations have ever escaped unscathed. Nevertheless, there are rules and policies to follow which will reduce losses and the management can bring a corporation through such a period in a relatively sound condition prepared to resume profitable business when economic and financial adjustments are ready for it. In some instances

Dr. Ivan Wright

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Advertising In Post-War Era Must Combat State Socialism

John E. Wiley Declares Advertising's Hardest Job Will Be Creating Responsibility For Good Living

Two new functions which the advertising profession should assume in the post-war era are combating the sweep of state socialism by improving the performance of capitalism and "productionizing" or industrial leadership, John E. Wiley, Vice President of Fuller & Smith & Ross, Inc., New York, declared the latter part of last month. Mr. Wiley spoke before the war advertising conference of the Advertising Federation of America at the Waldorf-Astoria Hotel in New York City.

J. E. Wiley

Advertising's biggest peacetime job, Mr. Wiley said, will be the competitive selling of the additional products which our enormously increased industrial machine will produce. However, he pointed out that "advertising's hardest job will be creating and maintaining a political state of mind through boom periods and recession that is understanding of and helpful to business development . . . a state of mind that rests on the firm foundation of a recognized industrial responsibility for good living in America." Mr. Wiley added:

"Creating a favorable environment for business is going to be a hard job because it's a brand new job, not only for advertising men but for all businessmen. It's also going to be a hard job because we will have to conduct a

(Continued on page 114)

Bank Of International Cooperation: A World RFC

In an article published in the "Chronicle" of June 24, bearing the above caption, Rep. Charles S. Dewey (Rep., Ill.), a member of the House Ways and Means Committee, criticized the Keynes and Morgenthau currency stabilization plans and proposed a "Bank of International Cooperation; a World RFC," as a method of rehabilitating the financial and economic strength of other countries after the war and maintaining equilibrium of their international trade balances.

Since publication of the article, the "Chronicle" has received various comments regarding the program suggested by Mr. Dewey. These are published herewith:

E. E. MacCRONE

President, American Industries Corp., Detroit

I want to send a word of commendation for the views the Honorable Charles S. Dewey expressed in his article, "A Bank of International Cooperation," in the current issue of your publica-

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In This Issue

Special material and items of interest with reference to dealer activities in the States of Illinois and Wisconsin appear in this issue.

For Illinois see page 102; Wisconsin, page 104.

For index see page 127.

Willis Says Subsidies Delusion Not Solution

Warns Food Subsidies Will Not Balance Topheavy Economy

Fed by a constant stream of statements from Washington, a serious delusion is growing that there is only one way to prevent runaway inflation in America and that is by the application of huge subsidies to the food industry, according to Paul S. Willis, President of the Grocery Manufacturers of America, Inc.

"The principal confusion lies in the fact that food subsidies are put forward as a complete cure for all of the economic ills on the home front," Mr. Willis said, "whereas they really correspond to frantic first aid treatment of the economic disease of inflation. Subsidies may appear to be a quick surface cure, but they do not prevent the real causes of inflation, they actually aggravate them.

Paul S. Willis

"The determined advocates of food subsidies are trying hard to give the impression that all who oppose them are in favor of inflation. In this way they attempt to confuse the public on this complicated and seldom understood subject.

"Inflation is an unhealthy condition which results when the various factors in our national economy get out of balance. Subsidies are one method of partial adjustment of that condition. The issue before the government and people of this country is . . . do we or do we not want inflation. Do not be misled into thinking that the real issue is do we or do we not want subsidies. There is a vast diference.

"The entire food industry is determined to secure effective control of rising prices. It is cheap cynicism to say that this industry wants higher prices. Runaway inflation is bad for everybody. Nobody stands to lose more than the food industry if prices are not regulated and nobody is making

(Continued on page 116)

Anti-Windfall Joker

By PAUL BAUMAN *
Member of the New York Bar

Contrary to general opinion the new tax law popularly known as the "pay as you go" tax bill does not by any means effect a 75% forgiveness to taxpayers in all cases. The fly in the ointment is that part of the law referred to as the "anti-windfall" tax.

Though propagandized as having been passed for the purpose of preventing too large a forgiveness to large individual taxpayers, this "anti-windfall" tax is the opening wedge in the establishment of an excess profits tax on individual incomes. These "anti-windfall" provisions bear a close resemblance to the excess profits tax designed to tax away corporate war profits.

Congress has maintained its unbroken record of writing tax bills incomprehensible to the layman, and the new law is even more complicated than usual. However, reduced to its very simplest terms the individual "excess-profits-anti-windfall" law provides that if an individual's surtax net income for 1942 or 1943, whichever is lower, exceeds by more than $20,000 his surtax net income for the highest of the years 1937-1940, he must add $20,000 to the surtax net income for whichever of those four years he chooses, and compute his tax on this theoretical amount on the basis of 1942 or 1943 rates, depending upon which of those two years showed the lower income. If the resultant figure is less than 75% of his tax for either 1942 or 1943, he must pay the difference by March 15, 1944.

Now, with the terms of the Act in mind, let us use a hypothetical case to see how much "forgiveness" a taxpayer in the higher in-

(Continued on page 117)

Justin Barbour With H. C. Wainwright Co.

BOSTON, MASS.—H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges and other leading Exchanges, announce that Justin F. Barbour, whose Dow Theory interpretations have appeared in the Chicago "Journal of Commerce" since 1937, is now associated with them in their Boston office. Mr. Barbour has been associated with James H. Oliphant & Co. in their Chicago office since 1929, and previously was in the advertising field for 17 years.

W. T. Maddox Jr. To Be W. E. Hutton Partner

William T. Maddox Jr. will shortly become a partner in W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange and other leading national exchanges. Mr. Maddox has been with the firm in the trading department for some years. Prior thereto he was with Clark, Dodge & Co. as manager of the trading department, and was with the First Boston Corporation.

Connecticut Industries Prospects Look Good

Connecticut industrial companies have repeatedly demonstrated their ability to participate fully in general industrial activity, whether generated by war requiremens or peacetime needs, according to a booklet which surveys nine Connecticut industrial companies, prepared by Chas. W. Scranton & Co., 209 Church St., New Haven, Conn., members of the New York Stock Exchange.

The booklet gives thumb-nail sketches of the nine companies showing their activities, resourcefulness and adaptability, post-war prospects and other facts of significance to investors today. Copies of this interesting booklet may be had from the firm upon request.

Portland-Ogdensburg Ry. Looks Attractive

The current situation in Portland & Ogdensburg Railway first 4½s of Nov. 1, 1953 offer attractive possibilities according to a memorandum being distributed by Adams & Peck, 63 Wall Street, New York City. Copies of this interesting circular may be had from Adams & Peck upon request.

Hardy & Co. Admits MacCowatt As Partner

Hardy & Co., 30 Broad Street, New York City, members of the New York Stock and Curb Exchanges, will admit H. Haskell MacCowatt to partnership in their firm as of today. Mr. MacCowatt was formerly a partner in Garvin, Bantel & Co.

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Subscriptions in United States and Possessions, $26.00 per year; in Dominion of Canada, $27.50 per year; South and Central America, Spain, Mexico and Cuba, $29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year.
NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Folger Nominated As President Of IBA

John Clifford Folger, partner in Folger, Nolan & Co., Washington, D. C., has been selected by the Nominating Committee to head the slate of officers of the Investment Bankers Association. Jay N. Whipple, Bacon, Whipple & Co., Chicago, has declined to serve again as president of the Association.


J. C. Folger

The nomination of Mr. Folger is now being considered by the Board of Governors of the IBA and on their approval will be submitted to the members for vote at the next meeting of the Association in November. Nomination and approval by the Governors are tantamount to election.

Mr. Folger is now a Vice-President of the IBA.

OUR REPORTER'S REPORT

Firms which have been active in the field of "special offerings" will operate henceforth under definite regulations, an important development considering that such business has been assuming rather substantial proportions over a period of time.

Such offerings have been subject to the special offering rule set up by the New York Stock Exchange early in February last year but have been on a temporary basis and subject to renewal by the Securities and Exchange Commission every six months.

Now the Federal agency has extended such rules indefinitely subject to certain amendments so that the banking house or broker initiating such transactions will no longer find it necessary to query authorities for any possible sudden revisions in the regulations.

The Exchange's set up has been extended with certain modifications filed by it with the Commission at the start of the month.

Under the new amendments, as approved, sponsors are permitted to over-allot to the extent of 10% for the purpose of facilitating stabilization.

Another amendment exempts short sales effected in the course of such an offering from pricing restrictions now provided in rules covering ordinary short sales.

With the flow of new bond issues rather light so far this year, investment bankers have been finding these so-called special offerings and secondary operations helpful as "fill-ins."

I.C.C. to Hear Bankers

The Interstate Commerce Commission will hear one of the Middle Western banking firms which protested the recent sale, through direct negotiation, of $28,-481,000 of first mortgage 3¾% bonds of the Pennsylvania, Ohio & Detroit Railroad.

Hearing on the issuer's application for authority to sell the bonds, marketed about a week ago (Continued on page 122)

Says U. S. Can Carry $200 Billion Debt, Preserve Credit And Avoid Inflation

Prof. Weisman Declares Such Debt Must Be Widely Held And Securities Not Be Converted Into Cash

The conclusion that "we can carry a debt of $200,000,000,000 if need be, provided it is widely held" was voiced the latter part of last month by Russell Weisman, Professor of Business Economics at Western Reserve University, who went on to state further: "provided we think of it and our children think of it not as immediate income to be converted into cash, . . . but as a permanent part of our estates as a new generation of capitalists, to be saved, and the income only to be drawn upon."


Russell Weisman

In his address, delivered at St. Paul, under the title "Can We Avoid Inflation?" Mr. Weisman indicated himself as concerned "about the phase of inflation about which our political leaders have to this time shown very little inclination to consider or to discuss, to say nothing of taking the steps necessary to prevent." He stated that he had in mind "the explosive or destructive type of inflation which is a product of great imprudence in public finance, extending over a very long period of time, and involving very heavy public expenditures that are financed not by taxation but by great expansion of the public debt." Mr. Weisman reviewed the history of the country's public indebtedness over the last 25 years, and noted that "instead of conserving our credit in the 20-odd years between World War I and World War II we drew heavily upon that credit resource "to finance emergencies of a minor character" by comparison with the emergency that confronted us when we were attacked at Pearl Harbor in December, 1941."

The speaker observed that "we are merged in expenditures that (Continued on page 110)

Aircraft Manufacturers Are Not Overcapitalized In Relation To Peace-Time Sales

The production of aircraft by the leading aircraft manufacturers in the United States has expanded approximately 2,356% since 1938. This tremendous expansion, however, has not been made at the cost of an inflated capital structure for the industry. On the contrary, the increase in capital funds has been most moderate and thus there is no indication that the industry is overcapitalized in relation to peace-time markets.

The situation is made clear in the following tabulation which shows aggregate figures for nine of the largest producers of airplanes, engines and propellers in the country, in whose stocks Aviation Group Shares provides a current ownership interest.

	1938	1942	Increase	
Annual Sales	$150,159,000.00	$3,688,306,000.00	$3,538,147,000.00	+ 2,356.3%
Paid-in Capital & Surpl.	90,846,000.00	137,917,000.00	47,069,000.00	+ 51.8
Earned Surplus	17,215,000.00	172,368,000.00	155,153,000.00	+ 901.8
Total Capital Funds	108,061,000.00	310,283,000.00	202,222,000.00	+ 187.1

Sales Up. 2,356%; Paid-in Capital Up Only 51.8%

It will be noted that 1942 sales are approximately 24½ times 1938 sales, but that 1942 capital funds are less than 3 times the 1938 figure. Furthermore, over ¾ of the increase in capital funds represents undistributed earnings retained in the business and thus less than ¼ represents "new money" from financing.

In 1938 sales represented $1.39 per $1.00 of capital funds; in 1942 sales represented $11.90 per $1.00 of capital funds.

In 1938 net earnings represented 16.2% on capital funds; in 1942 net earnings represented 40.3% on capital funds.

In 1938 net earnings represented a net profit on sales of 11.6%; in 1942 net earnings represented a net profit on sales of only 3.4%.

Dividends in 1938 represented 48.7% of net earnings; in 1942 dividends were 290% greater than in (Continued on page 104)

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

BEVERLY HILLS, CALIF.—**Charles R. Livingstone** has become associated with the **Bankamerica Company**, 9470 Santa Monica Blvd. Mr. Livingstone was previously with Akin-Lambert Co., Crowell, Weedon & Co., and Sargent, Taylor & Co.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Andrew G. Lindbohm** has been added to the staff of **Weston W. Adams & Co.**, 20 Kilby Street.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Roy M. Miller** is now with **Bond & Goodwin, Inc.**, 30 Federal street. In the past he was with Paine, Webber & Co.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—**Paul E. O'Reilly** has become associated with **Merrill Lynch, Pierce, Fenner & Beane**, 216 Superior Avenue, N. E. Mr. O'Reilly was with J. S. Bache & Co. in the past.

(Special to The Financial Chronicle)

CLEVELAND, OHIO — **George R. Tenbusch** has become affiliated with **Saunders, Stiver & Co.**, Terminal Tower Building. Mr. Tenbusch was formerly with Ledogar-Horner Company, Johnson, Kase & Co., and Ernst & Co.

(Special to The Financial Chronicle)

KANSAS CITY, MO.—**James M. Carrigan** has joined the staff of **Goffe & Carkener, Inc.**, Board of Trade Building. In the past Mr. Carrigan was with B. C. Christopher & Co., in charge of their Hutchinson, Kans., office.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Thomas E. Adams** is now connected with **Akin-Lambert Co.**, 639 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Oscar C. Nelson** is now with **Bingham, Walter & Hurry**, 621 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Arnold Staunton** and **Nicholas J. Winckler** have been added to the staff of **G. Brashears & Company**, 510 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Alexander Leitch** is now affiliated with **Nelson Douglass & Co.**, 510 South Spring Street. Mr. Leitch was previously with Fewel, Marache & Co., and M. H. Lewis & Co.

(Special to The Financial Chronicle)

OAKLAND, CALIF.—**Ray Dore**, formerly with H. R. Baker & Co., Franklin Wulff & Co., and the Bankamerica Company, is now associated with **Davies & Co.**, 1404 Franklin Street.

(Special to The Financial Chronicle)

OAKLAND, CALIF.—**Albert E. Culbard** has become connected with **Geo. H. Grant & Co.**, Central Bank Building. In the past Mr. Culbard was Los Angeles manager for the American Fidelity Corp.

Change Firm Name To Boland, Saffin & Co.

Henry B. Boland, Richard F. Saffin and William H. Boland announce that the firm name of H. B. Boland & Co. is being changed to Boland, Saffin & Co.

The firm, which has been active in the securities business since 1920, maintains offices at 52 William Street, New York City.

Jordan & Company Is New Firm In Seattle

(Special to The Financial Chronicle)

SEATTLE, WASH.—Jordan and Company has been formed with offices in the Insurance Building, to engage in a general securities business. Head of the new firm is Andrew A. Jordan, formerly President of Lobe & Jordan, Inc.

Quotation Sheets As Evidence Of Market Price

By ABRAHAM M. METZ and EDWARD A. KOLE

In disciplining security dealers, the attitude of the Securities and Exchange Commission is twofold:

(a) It implies a fiduciary relationship between the dealer and the purchaser, even in sales made as principal, and

(b) As a result further implies fraud from the size of the profit taken.

According to "The Commission," the test of fraud depends upon whether the selling price bears a reasonable relationship to the "current market price."

Abraham M. Metz

Establishing the market price of **listed** securities presents no problem. A daily newspaper may properly be introduced in evidence for that purpose. This method of proof was approved by Mr. Justice Hughes in the case of Virginia vs. West Virginia, reported in 238 U. S.

The significance of newspapers as evidence of market price of **listed securities** lies in their reporting actual sales. Sales constitute the true test, not merely bid-and-ask quotations.

Edward A. Kole

Establishing the market value of **over-the-counter securities** is not nearly so simple. In some proceedings before "The Commission" to revoke the registration of brokers and dealers, quotation sheets have been used to establish market price. In our opinion, because these sheets do not record any sales, they should not have

(Continued on page 121)

Sees Mathematics Of Debt Answer To Most Of The Economic Ills Which Confront Nation

I was a subscriber for twenty years until last year when I had to stop on account of my eyes. In that period I believe your editorials gave me a splendid financial training. In that twenty years, however, I do not remember one editorial that ever covered the mathematics of debt:

Dividing 72 by any interest rate gives the approximate period in which any principal will double at compound interest annually. Any principal at 10% compounded annually will double in 7.2 years. Taking a $100.00 principal, at the end of 7.2 years we have $200.00; at the end of 14.4 years $400.00; at the end of 21.6 years $800.00 and so on forever. Or a geometrical progression, and a very easy method for the calculation of interest for long periods of time and large amounts.

One U. S. cent put at 3% compounded annually gives us from the Birth of Christ—

$96,710,865,170,333,976,494.08

Break that number down and what do we get: It is more wealth than there is in the world, and if that is so we have hit an impossibility. If it is an impossibility why are we trying to collect interest forever, when it cannot ever be done. In view of the billions of capital at interest let's change our progression by shortening the period of time and increasing our principal from 1 cent to billions of dollars and we'll find that in a staggering short time all the wealth of the world is in one pile.

One fact stands out regardless of legality—money cannot draw interest forever. That's a hard things to face but it should be faced if we really wish to stop this human butchery of our sons every so offen.

Connect up with the geometrical progression the real reason behind the Death Sentence clause as to holding companies—the stopping of banks paying interest on limited checking accounts—the squeeze on the railroads in increasing wages but holding rates down — the squeeze on practically all business today in ceiling prices as to selling but competitive buying. Our income taxes. We're having an American edition of the Russian Revolution—the wiping out of the rich and middle classes—and are we being wiped out—and how.

New York City never paying off its debt. Always hunting for new sources of taxation. Seeing if they may find a new quiet way to pluck the goose.

It is interesting to apply the progression to our War debt even if the rate is low or to our Social Security program. How do we convert the Social Security taxes of today into eggs forty years from today. It is really quite a problem involving many headaches and maybe no eggs.

I'm surprised that the leading financial publication in maybe the world doesn't say much ever about applied mathematics on debt.

Wish I could continue to take the Chronicle. I miss it.

W. C. Everett.

Winslow, Ariz., June 30, 1943.

James Kelly Now With Kidder Peabody & Co.

James F. Kelly has joined the trading department of Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange and other leading Exchanges. Mr. Kelly was formerly in the trading department of Joseph McManus & Co., specializing in unlisted stocks. Prior thereto he was with Brown Harriman & Co.

Seaboard Reorganization Plan Summarized

Van Tuyl & Abbe, 72 Wall St., New York City, have prepared a condensation of the Draft Report by Tazewell Taylor, special master, of the plan of reorganization of Seaboard Air Line Railway Co. Copies of this interesting summary may be had from Van Tuyl & Abbe upon request.

Jos. McManus Co. Admits

Matthew A. McManus was admitted to partnership in Joseph McManus & Co., 39 Broadway, New York City, members of the New York Curb Exchange and Chicago Stock Exchange, on July 1st.

Charles Capek To Be Lee Higginson V.-P.

Charles A. Capek, who has been engaged in war work in Washington for the past year, has been elected a Vice-President of the Lee Higginson Corp. He will assume his new duties in the firm's Chicago office, 231 South La Salle Street, about July 15, following his recent resignation from the Treasury war finance group. Mr. Capek went to Washington last year, at the invitation of the War Production Board, with which he served in an executive capacity for several months. Subsequently he joined the Treasury Department to assist in war financing, being associated with George Buffington, Assistant to the Secretary, who directed the operations of the National Victory Fund Committee, which later was merged into the Treasury War Finance Committee. Mr. Capek took an active part in the first and second war loan campaigns as a member of the national headquarters staff which directed those highly successful financing operations.

Now Dean W. Titus & Co.

ANN ARBOR, MICH.—Konold, Titus & Company, State Savings Bank Building, was as of July 1st succeeded by Dean W. Titus & Company, with Dean W. Titus as proprietor. A branch is also maintained in Detroit under the management of Lester C. Lanterman.

Chicago & North Western Railway Co.

On June 28th last, Chicago & North Western "celebrated" its eighth year in bankruptcy under Section 77 of the National Bankruptcy Act. On June 27, 1935, the Board of Directors found that, having taken advantage of the 60-day grace period, they were unable to pay $1,718,000 of interest due on the road's 4¾% convertible bonds. In its statement of obligations filed with petition in bankruptcy, the Directors pointed to a total of $29,465,000 in default, of which $18,280,000 represented principal and $11,185,000 interest obligations. At the end of 1935, the System held cash of only $3,300,000, and had current liabilities, even excluding the unpaid interest, many times in excess of current assets.

What a contrast today's picture affords! At March 31, 1943, the company's net current assets stood at $73,000,000; cash in all forms amounted to $76,600,000. Even with the present tremendously over-capitalized pyramid, earnings for the first three months of 1943 covered fixed charges 2.4 times before Federal taxes and 1.7 times after taxes. In view of the status of the Reorganization Plan, the mounting cash position and the constantly increasing earnings, it would appear worthwhile to reappraise North Western's future possibilities.

There appears little likelihood that the Plan will be upset in any appreciable degree, despite efforts of the company to have certain aspects modified. Recently, the road's attorneys petitioned the ICC to grant further hearings in view of the fact that the original Plan did not foresee the large amount of cash which would accrue due to the unusual traffic of the past two years. However, the two large creditor groups representing the life insurance and savings bank holdings have requested the ICC to deny the road's petition to reopen hearings, in order that realization of the Plan may be expedited. The Supreme Court already has refused to review the case. All in all, it appears probable that the new securities will be issued before the end of the year.

It will be recalled that the Plan reduces the funded debt, excluding equipment obligations, from approximately $360,000,000 to $210,000,000. More than this, while all the old debt bears interest at a fixed rate, only $90,600,000 of the proposed funded debt of $210,000,000 is fixed interest. The capitalization, excluding equipment trusts, as proposed under the Reorganization Plan follows:

TABLE I

	(000s)
Sioux City divisional mtg. 4s	$4,000
Des Plaines divisional mtg. 4s	2,500
Notes due banks	3,296
Notes due Reconstruction Finance Corp. 4%	25,000
1st & Gen. 2½-4s, 1939	55,753
2nd Mtg. Inc. 4½s, 1999	105,059
5% pfd. stock ($100 par)	1,069,960 shs.
Common stock (no par)	1,077,999 shs.

Before examining the details of the funded debt as proposed, let's get back to the company's working capital position, which, after all, determines debt retirement possibilities. The latest balance sheet as of March 31, 1943, discloses, as we have seen, $73,000,000 of net current assets. At the rate net earnings are increasing,

(Continued on page 102)

Railroad Securities

The majority of Denver & Rio Grande Western securities have paid little attention to the filing, on June 14, of a third supplement reorganization report by the Interstate Commerce Commission. The junior bonds (the General 5s, 1955) have not declined nearly as sharply as their proposed treatment would justify, while the 5s, 1978 and the two series of Denver & Rio Grande Consolidated Mortgage bonds have not, in the opinion of most rail men, advanced to the extent justified by their treatment in the plan. Considering the background of the Denver reorganization this is surprising, as any major changes in the proposal from here on would appear unlikely.

The Commission had before it the Supreme Court decisions on the Western Pacific and St. Paul reorganizations so presumably considers that the terms of the new Denver plan are in line with the principles set up by that body. The courts have consistently refused to overrule the Commission on questions involving the matter of "informed judgment." Finally, the Commission, in issuing the plan, denied the request of the company for a further hearing to consider the vastly improved earning power of the properties. The Commission did review the 1942 earnings but decided that the abnormalities of the present situation did not justify any assurance that this earning power would be of long duration.

In other words, everything that is to be considered has presumably entered into the recent plan, and, barring some new legislation such as the Hobbs' proposal, it seems reasonable to expect that the final modified plan presented to the court will vary little, if any, from this one. It is also an important factor that this new plan appears to follow fairly closely the principles set down by Judge Symes in remanding the original Commission plan for the Denver back to the Commission more than two years ago.

On the basis of the proposed allocation of new Denver securities the Consilidated 4s and 4½s, 1936 and the Refunding & Improvement 5s, 1978 afford the most attractive speculative potentialities. Proposed treatment of these issues is as follows:

	*1st Mtge. 3s, 4s	Income 4½s	5% Preferred	Common
Denver & Rio Grande Cons. 4s, 1936	$318.92	$217.08	$321.60	4.82 shs.
Denver & Rio Grande Cons. 4½s, 1936	329.03	223.97	331.80	4.98 shs.
Denver & Rio Gr. Western Ref. & I. 5s, 1978	250.01	159.61	310.75	6.92 shs.

*Interest 3% fixed and prior contingent.

Even if the speculative and investment public is no more willing than the ICC to recognize the obvious basic improvement in the road's earnings status and prospects, arising through industrialization of the service area and consequent opening up of new traffic sources to say nothing of the increased efficiency through virtually rebuilding the main line during the trusteeship period, it would seem reasonable under present market conditions to expect the new 1st Mortgage bonds to sell around 80, the new Incomes around 45, the new preferred around 32 and the new common around 18. On such prices for the new securities the old Consolidated 4s would have an indicated value of 54¼. the Consolidated 4½s an indicated value of 56, and the Refunding & Improvement 5s a value of 49½.

Such potential values are 40% to 50% above recent market prices for the old bonds. Moreover, the new securities would have considerable additional potentialities above the prices estimated, as they became seasoned and there was more lasting evidence of the fundamental improvement in the road's affairs.

It is also being pointed out that these potentialities do not give any recognition to the possibility that there may well be substantial interest payments on the old bonds later this year. As is common throughout the industry, cash has been mounting rapidly and it is expected that at least a portion of the excess funds may be distributed to the bond holders. The April 30 balance sheet showed cash and special deposits of $11,431,866, up $6,557,156 from a year earlier. There were also temporary cash investments of $4,200,000 (none a year earlier) which practically covered the U. S. tax liability. Net working capital had increased to $10,054,096 from $1,842,373 on April 30, 1942.

The wide earnings gains have been continued into the lastest periods for which figures are available, with net income for the month of May alone, after taxes and charges on the old debt, at $1,096,641, more than double that of May 1942. For the five months through May net income increased roughly $3,100,000 to $4,680,634. During the reorganization hearings an estimate was made that cash as of the end of the year might reach $15,600,000 after equipment purchases and all expenses other than interest. Actually, the figure will probably top that estimate. It is difficult to see how refusal to pay some interest could be justified.

Chicago Brevities

The question of consummating a plan for the reorganization of the **Chicago, North Shore and Milwaukee Railroad** and removing it from the protection of the federal court, where it has been since 1932, is a topic of current discussion in local financial quarters. Moves in the direction of reorganizing the road presently are under way, but representatives of security holders are hesitant about projecting any estimate of the amount of time that will be required to terminate the proceeding.

In the latter connection, security holder representatives are mindful of the customary involved court procedure that characterizes reorganization cases. Other observers, however, feel that the reorganization can be accomplished within a relatively short time, perhaps within a year. Moreover, it is felt that speedy consummation of the case is desirable at this time, especially in view of the fact that full interest requirements on outstanding bonds of the road are being earned with a wide margin to spare. All interested parties are said to be in complete agreement that the reorganization should be accomplished quickly.

Proceedings involving the road received an impetus earlier this year, as a result of a decision by the Supreme Court of the United States. The case had been delayed for some time because of uncertainty as to the proper statute under which to proceed. The high court sustained a ruling by Federal Judge Michael L. Igoe of the Federal District Court in Chicago, that the reorganization should be effected under terms of Chapter 10 of the Chandler Act. On April 1, the 11-year-old equity receivership of the road was terminated, and the road was placed in bankruptcy, with Edward J. Quinn and John G. Gallagher named as trustees.

Equipment Claims

Present moves in the case center on the determination of how holders of the road's outstanding 1,600,000 of equipment trust certificates will fare. The majority of these certificates are in default as to the principal. Representatives of the certificate holders currently are negotiating with trustees of the road and owners of first mortgage bonds, looking toward a complete settlement of their claims. It is understood that there has been an interchange of proposals on the matter, but no common ground for a settlement has been reached thus far.

Some financial men express the view that the settlement of these claims should present no real problem and feel that this phase of the case should be cleared up within a reasonably short period. Present intentions are to clear up the matter of the equipment trust certificates before a plan of reorganization is actually drafted and submitted to the court. Just when a plan actually will be offered to the court still is indefinite. Some quarters say that not much progress will be made in the case until after Sept. 1.

Discussing possible terms of a reorganization plan, financial men are anticipating that the capitalization of the new company will consist of a single issue of first mortgage income bonds and an issue of common stock. The ratio of income bonds to total capitalization, it is said, will be as large as the Securities and Exchange Commission will permit.

Revenue Trend Cited

The road, an electric line, is not without its romantic aspects. It serves the densely populated region between Chicago and Milwaukee, including the industrial cities of Kenosha and Racine, Wis., and the Great Lakes Naval Training Stations, the Glen View Naval Aviation Stations, and Fort Sheridan, Ill., as well as numerous and growing suburbs immediately north of Chicago.

At present, the line is enjoying greatly expanded traffic that carriers generally have realized as a result of the war. Gross operating revenues, exclusive of auxiliary and non-operating revenues, reached a total of $4,473,766 in 1941, which topped that of any previous year since the road has been in reorganization. Operating revenues for 1942 rose more than 50% above the 1941 aggregate to $6,830,786. In the first three months of 1943, gross totaled $1,983,938, as compared with $1,401,811 in the corresponding 1942 period.

MUNICIPAL BONDS

The steady rise of municipal bond prices to their all-time highs, based on an accepted index, continues to be a bright spot in the security markets. The general average of prices reached its peak following a virtually uninterrupted climb, unarrested as yet, over a period of nearly three months.

Evidence that the market as a whole has reached its peak was found in the Bond Buyer's index as of July 1. This placed the average yield of 20 bonds at 1.86%, which compared with its previous peak of 1.90%, set on Nov. 1, 1941, or shortly before the attack on Pearl Harbor. The index, which moves in inverse ratio to price changes, stood at 1.93% on June 1, indicating that quotations on the average rose 7 basis points last month. On Jan. 1 the index was at 2.17%.

While a broad upward movement has been in evidence for nearly the last three months, the climb of the market to its all-time high actually began with the advent of 1943. Prices moved steadily upward until shortly before the Second War Loan drive was launched in April. A pause occurred in the movement, because it was figured that the war financing might make for a dull market and easier prices. No recession occurred, and, after a momentary pause, the upward movement was resumed, and it has continued ever since.

Trading Fairly Active

Trading activity continues to run at a fairly active pace, not-

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Chicago & North Western Railway Co.

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it is estimated that this figure will be at or near $85,000,000 by the end of 1943. It is difficult to appraise the amount considered necessary for operations and other contingencies, but it appears reasonable to assume that between $45,000,000 and $50,000,000 could well be applied to debt retirement as soon as the Plan become effective. The very fact that the present management desires a modification of the Plan in order to pay off the RFC debt, and thus make certain other adjustments, would appear to bear out the assumption that a good percentage of cash could go for fixed debt reduction.

Even assuming that only approximately $35,000,000 is available for debt retirement, a glance at the tabulation of debt in the proposed capitalization (Table I) will show that this amount would pay off the RFC loan, both the divisional liens and the bank loans, leaving the 1st & General 2½-4s in top position, aside from the equipments. This would result in an annual saving of interest in the amount of $1,392,000, and since the proposed capitalization calls for fixed interest annually of about $4,000,000, this application of $35,000,000 to debt retirement would reduce fixed interest to about $2,600,000 per year. This would compare with over $16,000,000 before effectuation of the Plan!

Table II shows gross revenues and income available for fixed charges during the ten-year period, 1933-1942. (During the reorganization years, particularly from 1935 through 1939, extraordinary charges for maintenance of way and structure and for maintenance of equipment were made, averaging 38%—far above normal. In order to bring the figures in line with realistic conditions, a normal figure of 32% of gross revenues has been applied to earnings for those five years.) In order to give some indication of the extent to which the $2,600,000 of estimated fixed charges would have been earned, if the debt retirement is effected, this figure is applied against these past earnings:

TABLE II
($ Million)

	Gross Revenues	Available For Interest	Assumed Fixed Charges	Times Charges Earned	Balance
1942	$138.4	$26.4	$2.6	10.14	$23.8
1941	109.9	18.3	2.6	7.05	15.7
1940	92.8	11.5	2.6	4.42	8.9
1939	87.2	10.9	2.6	4.19	8.3
1938	81.1	5.1	2.6	1.96	2.5
1937	89.8	10.9	2.6	4.19	8.3
1936	92.0	12.9	2.6	4.97	10.3
1935	77.3	10.5	2.6	4.04	7.9
1934	75.9	8.5	2.6	3.27	5.9
1933	73.4	9.5	2.6	3.65	6.9

There appears little question from the figures in Table II that the 1st & General 2½s-4s offer the investor good earnings coverage, even if nothing is done except to remove prior debt as outlined in a preceding paragraph. These bonds, secured subject to the $6,500,000 divisional liens on the entire property, are outstanding in the amount of $55,763,000. The indenture provides an additions and betterments fund, which is the lesser amount of 2½% of gross, or $2,500,000; this will tend to preclude the tendency of capitalizing certain expenditures which often points toward increasing overall debt.

The Plan provides for total new fixed and contingent charges of roundly $12,400,000, including the additions and betterments fund, compared with old fixed charges of $16,400,000. Assuming, as we have done, that fixed interest through debt retirement can be reduced to $2,600,000 from $4,000,000 called for in the Plan, total fixed and contingent charges would be reduced to $12,000,000. The Second Mortgage Income 4½s will be outstanding in the amount of $105,059,000, and annual interest requirements to service this issue fully will be $4,728,000. The pro-forma earnings statement in Table II shows that this interest would have been fully earned in all but one year of the past ten.

Interest on the 2nd Mortgage bonds is payable at the rate of 4½% annually and is cumulative up to 13½%. A sinking fund is provided amounting to ½ of 1% and was fully earned in 1941 and 1942, and will also be earned in 1943. The new income bonds are to be convertible into common stock at the rate of 15 shares per $1,000 face amount of income bonds.

The ICC has estimated that normal future earnings available for interest will be in the neighborhood of $14,600,000. To earn all contingent interest fully, assuming the interest saving of $1,400,000 previously calculated due to debt retirement, will require $9,300,000; this would leave a balance of approximately $5,000,000 available to the preferred. However, it is estimated that income available for interest in 1943 will reach $30,000,000, which after deducting $9,300,000 for all interest, would leave over $20,000,000 for the preferred and common—equivalent to more than $18.70 per share of $5.00 preferred and $10.80 per share of common.

All "when issued" securities of the North Western are considered to be attractively priced at present, but most particularly the 1st & General Mortgage bonds at their present price. They are outstanding at a low rate per mile, will occupy a senior lien position, and under almost all possible circumstances will be well protected by earnings. As a speculation, the 2nd Mortgage bonds at current quotations have interesting price appreciation possibilities and afford a good yield on well-covered interest. The preferred and common are, of course, highly speculative especially for any long-term holding.

H. H. Bowker Associated With Harris, Hall & Co.

CHICAGO, ILL. — Herbert H. Bowker has joined Harris, Hall & Co., 111 West Monroe Street. Mr. Bowker recently was connected with the Victory Fund committee engaged in the sale of war bonds. In the past he was associated with Stone & Webster and Blodget, Inc. for more than 12 years.

Chicago Recommendations

Adams & Co., 231 So. La Salle Street, who have been active in the lumber situation, have prepared a late analysis on **Coos Bay Lumber Co.** Common Stock. Sent on request.

* * *

Caswell & Co., 120 So. La Salle Street, will furnish late data on **Gisholt Machine Co.** Common, **Reliance Steel Co.** Common and **General Box Corp.** Common.

* * *

Enyart, Van Camp & Co., 100 W. Monroe Street, have latest available data and prices on **Chicago and Suburban Bank Stocks**, which will be sent on request.

* * *

Kneeland & Co., Board of Trade Bldg., will furnish late data on **Kellett Aircraft Co., Consolidated Dearborn Corp., Kansas City Public Service Co.** and **Interstate Co.**

* * *

Leason & Co., Inc., 39 So. La Salle Street, has prepared a study showing the intrinsic and potential value of the First Mortgage and First & Refunding Bonds of **The Chicago Rapid Transit Co.** in relation to their present market value and a discussion of three possible solutions of the financial affairs of the company. This study covers unification, municipal ownership and company reorganization, one of which appears to be a possible solution. This illustrated brochure may be obtained on request from Leason & Co., with or without imprint.

* * *

E. H. Rollins & Sons, 135 South La Salle Street, have prepared an analytical report on **Telephone Bond & Share Co.** 5% 30-Year Debentures, Series A. During 1942 and early in 1943 several of the company's subsidiaries effected advantageous refundings. In two instances debt was issued, the proceeds of which were used to retire preferred stock issues, a tax-saving result. These refundings should not only result in increased net income for the subsidiaries, but may also permit of increased dividends on the respective common stocks held by Telephone Bond & Share Co. Copies of this analysis on request.

* * *

Straus Securities Co., 135 So. La Salle Street, have late analyses on **American Barge Line Co.** Common, **Hearst Consolidated Publications, Inc.**, Class A Stock, and **Poor & Co.** Class A Stock. Their Statistical Department will furnish these on request.

* * *

Thomson & McKinnon have just issued a special release on **General American Transportation Co.** In view of the current interest in tank and refrigerator car service this is particularly timely. Their current weekly reviews the **group action of stocks**, and also has an article on **Vitamins** and the **Drug Companies**, as does their release **"Highlights."** Their **weekly bond review**, as is customary, is devoted principally to the **railroad issues**, due to the public interest in rails.

Copies of any of these may be obtained without cost by contacting **Thomson & McKinnon's Statistical Library**, 231 So. La Salle Street, Chicago.

* * *

Zippin & Co., 208 So. La Salle Street, specialists in Foreign Securities, offer their assistance in making out **Foreign Property Report—Form T. F. R. 500**—which is due not later than Aug. 31, 1943.

Smith Joins Faroll In Trading Dept.

CHICAGO, ILL.—Faroll Brothers, 208 South La Salle Street, members of the New York Stock Exchange and other leading exchanges, announce that George W. Smith is now associated with them in their Trading Department. Mr. Smith has been on La Salle Street since 1925, having been with Sincere & Co., and more recently with Ryan-Nichols & Co.

Arthur Korte Partner In C. H. Reiter & Co.

(Special to The Financial Chronicle)

CINCINNATI, OHIO — Arthur W. Korte has been admitted to partnership in C. H. Reiter & Co., Union Trust Building, members of the Cincinnati Stock Exchange. Mr. Korte, a member of the Cleveland Exchange, has been with C. H. Reiter & Co. for a number of years. Prior thereto he was an officer of the Irwin-Bellmann Company.

In Armed Forces

David A. Fitzgerald is now serving in the U. S. Armed Forces. At present he is stationed at 480th T. H. M. P. E. G. Co., Fort Custer, Michigan. Mr. Fitzgerald is a member of the Boston Securities Traders Association.

Taylor, Deale & Co. Formed In New York

John Blyth Taylor and Blair Bowditch Deale have formed Taylor, Deale & Company with offices at 64 Wall Street, New York City, to act as over-the-counter dealers and brokers specializing in Canadian government, provincial, municipal and corporate bonds and other foreign securities.

Partners of the firm were formerly associated with Harriman Ripley & Co. Prior thereto Mr. Taylor was with Hanson Bros. of Montreal and the Sun Life Assurance Co.

E. C. Johnson Pres. Of Fidelity Fund

R. N. Taliaferro With Loomis, Sayles & Co.

Fidelity Fund, Incorporated, announces the resignation of Richard N. Taliaferro as president on July 7th. Edward C. Johnson, 2nd, succeeds Mr. Taliaferro as president of Fidelity Fund; he will also continue as treasurer of Incorporated Investors.

Mr. Taliaferro will become associated with Loomis, Sayles & Company, Incorporated in their Washington, D. C. office.

Chicago Brevities

(Continued from page 102)

withstanding the fact that dealers continue to talk about the relative scarcity of bonds in the market. The matter of buying bonds to replace depleted inventories continues to be a major problem of dealers. Some traders say that dealers are willing to pay almost any price to obtain inventory. New financing activity by States and Municipalities continues to run at a low level, but liquidation by institutional investors has taken up some of the slack.

Last week, for example, only a single new issue of any size entered the market. This consisted of $3,000,000 of City of Tacoma light and power revenue bonds. As compared with this new financing two State accounts sold at competitive bidding a total of more than $8,000,000 of previously issued securities from their portfolios. In addition to the latter bonds sold competitively, a certain amount of other bonds were sold privately by investment accounts to dealers.

TRACTION CASE

Chicago's traction case, which has commanded considerable attention in recent months, apparently has been cast into the background again without any progress being made. The case died down when the Illinois Commerce Commission denied petitions for a rehearing of its decision of May 3, which rejected a plan to unify the properties of the Chicago Surface (street car) Lines and the Chicago Rapid Transit (elevated lines) Company.

The entire case has revolved around efforts to provide a single local transportation system for the city through unification of the elevated and street car lines, both of which are in reorganization. The merger plan has been approved by the Federal Court, the City of Chicago, and a majority of security holders of the surface lines and the elevated railway. The refusal of the commerce commission to approve the plan has blocked the unification. The commission repeatedly has held that the unification plan is financially unsound, and that earnings of the consolidated company would not insure modernization of the properties.

R. F. C. Loan Offer

Armed with an offer by Jesse Jones, Chairman of the Reconstruction Finance Corporation, to lend nearly $40,000,000 to the Chicago Transit Company, the new company that would be set up under the proposed merger, Mayor Edward J. Kelly of Chicago had petitioned the Commission for a rehearing of the May 3 decision. The Chicago Transit Company also filed a plea for rehearing. In denying these petitions, the Commission declared that not one cent of the proposed Federal loan would be available for modernization, and that all would be paid over to security holders.

The Office of Price Administration also lost a plea in the case. It had asked the Commission to set aside an order making the 8-cent street car fare permanent and urged reversion to a 7-cent fare that existed until April 20, 1942. The Commission, in denying this petition, said that additional evidence was not sufficient to warrant reconsideration of this phase of the case.

Keating Now A Major

Captain James A. Keating, of the Army Air Forces, formerly associated with Mason, Moran & Co., and over 20 years on La Salle Street, has been promoted to the rank of Major. He was previously commissioned a Captain last September.

He is assigned to the 1st Troop Carrier Command at Stout Field, Indianapolis. Major Keating had a distinguished record as a flier in the last war, having received the American Distinguished Service Cross, the British Distinguished Flying Cross and French Croix de Guerre. He was officially credited with bringing down six German planes.

Cruttenden Partners Named Directors Of Companies

CHICAGO, ILL.—Fred R. Tuerk and W. W. Cruttenden, partners of Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges have been elected directors of Universal Engineering Corporation, Cedar Rapids, Iowa. Mr. Cruttenden has also been elected a director of the Davidson Manufacturing Company, Chicago.

Lee With Goldman Sachs

CHICAGO, ILL. — Arthur D. Lee, formerly with the Oak Park Trust and Savings Bank, has become associated with the Chicago office of the investment firm of Goldman, Sachs & Co., 208 South La Salle Street.

Wisconsin Corporation Notes

Koehring Company, Milwaukee, reports net profits equivalent to $3.87 a share on the Common stock for the six-months period ended May 31. Net worth increased to $4,108,107—equal to $70.80 a share. Dividends in the first half of the 1943 fiscal year amounted to $1.00 a share.

Mosinee Paper Mills paid a dividend of 20 cents a share on June 30, the same amount as that disbursed a year ago.

Nekoosa-Edwards Paper Company paid a regular quarterly dividend of 50 cents a share on June 30.

Profits of the **Mid-States Shoe Co.**, Milwaukee, for the first seven months of their fiscal year are understood to be approximately $1.00 a share.

The company had current assets of $2,532,754 at May 31, against current liabilities of $864,516. Current liabilities included a $100,000 note payable to banks on December 31 next, representing the last instalment of $100,000 on the $500,000 term loan arranged several years ago. There were no other bank loans.

Govt. Or Municipal Ownership Of Monopolistic Or Strategic Industries Proposed By UAW

R. J. Thomas, President of the Congress of Industrial Organizations, United Automobile Workers, announced on July 3, a post-war program providing for government or municipal ownership of monopolistic industries and of industries strategically necessary to the national safety, said an Associated Press dispatch from Detroit on July 3, to the New York "Herald Tribune" from which we also take the following:

"Government regulation of other industries also is proposed 'to prevent the abuses of monopoly and to assure production in the public interest.'

"Mr. Thomas said the program was adopted by the U.A.W.-C.I.O. international executive board which met recently at Toronto.

"Of private enterprise, the program says: 'Our industries can no longer be operated to serve private interests where those interests conflict with the public need. Initiative can find its most useful outlet, greatest recognition and highest reward when exerted in the public service.'

"Asserting that industry should be encouraged to plan for full production, the program adds: 'Such plans, however, will be effective to the extent that management engages in industry-wide collective bargaining with labor unions to stabilize wages, hours and working conditions.'

"High lights of the program are: "Full representation for labor in negotiating the peace and in reconstruction of post-war industry.

"An immediate international conference of labor of the United Nations to discuss effective participation in the war effort, formulation of the peace and planning for post-war world.

"Destruction of the war-production industries of the Axis nations, but no use of reparations to punish the peoples of those nations.

"Seeking a guaranty of full employment for all workers and service men in the post-war period, the U.A.W. proposes a 30-hour work week; protection of low-standard areas against exploitation; a gigantic national construction program to include housing, schools, highway, hospital, recreational, public-power and conservation developments.

"The union also proposes a separation allowance, or bonus, up to $2,500 for each honorably discharged member of the armed forces, an initial payment to be made upon discharge and the balance in installments; enforcement of seniority provisions in union contracts, and free education or training for discharged men who desire it.

"The board said its post-war plan was advanced now in the belief 'that its popularization can serve as a powerful stimulus to the immediate job of winning the war.'

"To finance the post-war undertakings, the board proposed a tax program based on the principle of ability to pay; exemptions to every family in an amount which will permit maintenance of a minimum decent standard of living; sharp upgrading of inheritance taxes, and reasonable ceilings on profits and incomes."

Post-War Inflation Seen Inevitable

While the degree of post-war inflation will depend considerably on the length of the war, a further decline in the purchasing power of the dollar seems inevitable, according to United Business Service.

The Service points out that the implications for the post-war period are more significant than the present familiar spiral of rising wages and prices. Interest on the national debt alone after the war is expected to equal the entire cost of pre-war Government. Maintenance of military establishments, veterans' costs, and expanded "social security" will be added to "normal" Government expenditures. In short, it looks like 25 to 30 billion dollar budgets in the post-war years. It would thus appear, in the opinion of the United Business Service, that this burden will be too heavy to bear unless there is a permanently higher level of commodity prices.

What, then, is the long-term outlook for stock prices? Will a permanently higher commodity price level mean likewise a permanently higher level for stocks? The Service predicts that this will be the case—so long as no abnormal factors of a deflationary nature enter the picture.

If earnings, for example, were taxed 100%, stocks would be of dubious value as "inflation hedges". It may be remarked here, however, that Washington trends indicate that corporations will fare better than individuals from a tax standpoint in the post-war years. Moreover, the Service believes that inflation will result in a tendency to evaluate stocks at a higher price in relation to their earnings and dividends at any given time.

Inflation implies a desire to exchange money for some form of investment. Stocks are not the only desirable holding under inflationary conditions, but they are certainly the most popular because they are easier to buy and sell than most other "inflation-hedge" media.

President Says Work On Florida Canal Depends On End Of Shortages

President Roosevelt has advised the House Committee on Rivers and Harbors that detailed plans for construction of the Florida Barge Canal will be prepared as soon as man power, material and equipment shortages are overcome, it was reported in United Press Washington advices of July 5. These advices further said:

"He acknowledged the need for the canal as a part of the Atlantic-Gulf intracoastal waterway system in a letter to Joseph J. Mansfield, Democrat, of Texas, committee chairman.

"I have always realized the importance of an adequate and continuous inland waterway for barge traffic along our Atlantic seaboard and Gulf coast," he wrote. "Upon authorization of such a waterway by Congress, steps have been carried on as fast as possible without interference with the war effort. This work has consisted of large-scale dredging operations along the existing sections of the waterway, which, with improvement, could now be used to full capacity. It is my intention to continue these dredging improvements during the next fiscal year."

It has not been feasible, Mr. Roosevelt added, to undertake work on sections of the waterway not now in existence.

"While I cannot foretell how soon that will be," he explained "it is possible that the situation with respect to these shortages will change sufficiently to permit an early dredging of the sea level sections of the canal, and I am accordingly asking the Director of the Bureau of the Budget and the chief engineers to keep me advised of any changes of conditions which would justify the inauguration of this work."

The President's letter was a reply to a communication from Chairman Mansfield on May 25 noting concern over incompletion of the inland waterway system.

R. J. Levy To Admit

J. Kiefer Newman Jr. will be admitted to partnership in Robert J. Levy & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, as of July 15.

"Thinking Now"

(Continued from first page)

here and in other nations can be gained and maintained only by sustained industrial production and by economic interdependence.

"The people of this country, in common with the people of other lands, will prosper materially and spiritually when this war is ended but only if insistence, world-wide in scope, is now voiced for a just and durable peace."

Obviously, Mr. Stanley and his organization are on strong ground in believing that the attainment of these ends can be achieved only by "thinking now"—not by emotionalizing, as do all too many who are exceedingly vocal on the subject today.

Obviously, too, Mr. Stanley and his associates are "thinking now," as are, we are certain, many other men of large affairs in this and other countries.

We need not fear for the future if only the vast rank and file can somehow be persuaded to follow the leadership thus made available to them.

And this we think is on its way.

N. Y. Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following weekly firm changes:

Mae U. Ehlert withdrew from partnership in John V. Dunne & Co., New York City on June 30.

Interest of the late Harold M. Baer in Friedman, Brokaw & Samish ceased as of June 30.

Caspar C. de Gersdorff retired from partnership in Harris, Upham & Co., New York City on June 30.

C. Russell Auchincloss withdrew from partnership in Cyrus J. Lawrence & Sons, New York City on June 30.

Interest of the late Leslie L. Vivian in Merrill Lynch, Pierce, Fenner & Beane, New York City, ceased as of June 24.

Interest of the Estate of the late James A. Longwell in J. W. Sparks & Co. ceased as of June 27.

Charles L. Benesch withdrew as a partner in Arthur Wiesenberger & Co., New York City as of June 25.

Joseph P. Searing, partner in Robert Winthrop & Co., New York City, died on June 29.

Aircraft Manufacturers Not Overcapitalized

(Continued from page 99)

1938 but nevertheless represented only 26.5% of net earnings.

A Post-War Appraisal

With present capitalization and a peace-time annual volume of sales estimated at less than 10% of this year's production, what net earnings could logically be expected and what would be the return on capital? Annual sales on this assumption would be approximately $750,000,000.00. Since higher profit margins would prevail in view of there being no excess profits taxes, no renegotiation of prices, etc., net earnings should reasonably approximate $60,000,000.00, or 8% on sales. This would represent a return of nearly 20% on capital funds, compared with 16% in 1938, and would be equivalent to 1.82 times current dividend disbursements.

This appraisal of the early post-war possibilities of America's aircraft manufacturing industry may likely be ultra-conservative, and it will prove reassuring to those who fear that aircraft manufacturers may be overcapitalized for peace-time markets. The contrary would appear to be true, for the probabilities are that some units of the industry will find it necessary to add to their capital in order to meet the demands of the domestic and foreign market of this outstanding "growth" industry.—*Hare's Ltd.*

House Group Kills Guffey Coal Act

The Guffey Bituminous Coal Act was virtually killed on July 6 when the House Rules Committee tabled a resolution which would have extended the law to Jan. 1, 1944.

The act, which was enacted in 1937 to stabilize the soft coal industry through establishment of minimum prices, is scheduled to expire Aug. 23. It has been operating since April 26 under temporary extensions.

The House Ways and Means Committee refused on July 5 by a 13 to 11 vote to approve a measure to extend the act for another two years.

Another temporary extension could be voted by the House before it recesses for the Summer but this measure would have to be brought up under a suspension of the rules, which requires a two-thirds majority.

President Roosevelt in a letter to the Ways and Means Committee made public July 2 appealed for continuation of the act; he stated that the whole coal situation is so unsettled that it would be helpful if any phase of it could be definitely concluded. "With a recess of Congress impending, I am again concerned about the failure to extend the Guffey Coal Act, and I hope the Ways and Means Committee will find it possible to conclude its hearings and report the bill favorably."

Mid-Year Bank Figures Study Now Available

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting analysis of bank stocks revised to include the mid-year figures. Copies of this analysis may be had from the firm upon request.

Situations Of Interest

Stromberg - Carlson, Federal Screw Works, Bartgis Brothers, and Segal Lock & Hardware offer attractive situations, according to memoranda prepared by Herzog & Co., 170 Broadway, New York City. Copies of these interesting memoranda may be obtained upon request from Herzog & Co.

Planning An Antidote For Regimentation, Ruml Declares

Elimination of Mass Unemployment First Requirement of Post-War Period

The fact that there exists in certain quarters "a prejudice against the word 'planning'" probably springs, in the view of Beardsley Ruml, "from apprehension that planning may lead us into a regimented way of life." Mr. Ruml, who is Chairman of the Federal Reserve Bank, made it plain, however, that he feels that "just the opposite is the case"—that "planning is to regimentation both antithesis and antidote." He expressed the view that "free, open, democratic planning, thinking about our National future out loud, will contribute to the success of our form of Government."

Beardsley Ruml

Speaking at the ninth annual conference of the Tamiment Economic and Social Institute at Camp Tamiment, Pa., the latter part of last month, Mr. Ruml also referred in his remarks to the question of post-war employment, as to which he observes that "today most business men agree that the elimination of mass unemployment is the first requirement for the post-war period." He went on to say that "business men are giving thought to the responsibilities of private enterprise in doing its full part in achieving high production and high employment in the post-war period," but he noted, "it would be folly to expect that business can make the transition from full war-time employment to high peace-time employment without cooperation from public government at every level—Federal, State and local." "In addition," said Mr. Ruml, "we require for success in the attack by business and government on the danger of mass unemployment a commitment on the part of government that, through an explicit fiscal and monetary policy, it will act when business, as business, cannot act to sustain employment and effective demand." "It is inescapable," Mr. Ruml added, "that the national state, through an explicit and implemented fiscal and monetary policy, must complement and supplement the activities of private business in the maintenance of high production and high employment."

In full Mr. Ruml's address follows:

"When I selected 'Something to Shoot At' as the title for my speech tonight, I made it very easy to have plenty to talk about. First of all, there are the Italians, the Germans, and the Japanese. They are certainly something to shoot at. And there is the President and Congress. They too are legitimate targets for such verbal shooting as may seem appropriate to 140,000,000 marksmen, each with a hunting license guaranteed in good standing by the Constitution of the United States. There are the alphabetical agencies, the OPA, the WPB, the FCC, and the rest. There is plenty to shoot at here.

"But the shooting I want to discuss tonight is of a different kind. The object of the hunt is less a target than it is a goal. What I propose is that we consider some of the things we should be striving for in the period that will follow the war. In what direction, and at what level should we aim?

"We are all aware, I am sure, of the great popular interest in post-war planning, and I suppose there are few subjects on which there is more general agreement than that we should begin now to get ahead with our post-war plans. It must be clear that planning of the sort we are talking about does not mean regimentation. In certain quarters, there is a prejudice against the word 'planning' that probably springs from apprehension that planning may lead us into a regimented way of life. I feel that just the opposite is the case. Planning is to regimentation both antithesis and antidote. Regimentation arises after planning has failed. Regimentation must depend on force and violence to implement its intuitions and its fanatic will. Free, open, democratic planning, thinking about our national future out loud, will contribute to the success of our form of government by bringing abiding satisfactions in the American way of life. Thus, planning will render regimentation, always distasteful, unnecessary.

"Since a year ago, there has been a great change in public sentiment in respect to thinking about the post-war period. Then no one liked to talk about post-war problems except behind closed doors. Many felt that, with the war far from won, discussion of post-war plans would be at best distracting and at worst hurtful to unity of national effort in the winning of the war itself. Others felt that such thinking might be interpreted as escapist, as sheer flight from reality, the spinning of a dream world that bore no relation to the real, present world of violence and conquest.

"Today this feeling has changed. People want those agencies and individuals who are responsible for thinking about the post-war period to proceed energetically with their work. To be sure, they want first of all to win the war, speedily and decisively, and they want nothing to detract from that effort. Second, they want no plans that represent mere wishful thinking or special interest axe-grinding. They want some practical leads as to where we go from here when the present job is finished.

"The reasons for the change are not hard to find. First of all, the war itself is going better, and although every useful effort must be applied to hasten the day of victory, there are few indeed who doubt the defeat of the Axis powers. As to how, when, and the nature of the victory, there is much difference of opinion; but there is a marked increase of confidence from a year ago. Second, we know that other countries are able to fight and work now, and at the same time to think about the future. And finally, I think that we have come to feel that post-war planning will be unifying rather than divisive, that it will give purpose and drive to our efforts, and will, therefore, help the war effort itself. We have all felt the danger to morale in the question, too frequently heard, 'What's coming out of it all, and who is doing anything about it?'

"There is another deep influence that may explain in part this insistent demand on the part of people generally that something be done now about planning for the period to follow the war. We are a well-educated people, and we know that, even recognizing wonderful material advances, the scientific and technical progress of the last 150 years has never truly ripened in terms of human betterment. We know that in our country, to go no farther afield, we had a decade of mass unemployment of men and machines, and before that we were worried about what we called 'technological unemployment.' We know that during the 30's alone in the United States, we lost forever a product of goods and services which would have amounted to more than two hundred billion dollars. Not only for these material things, but for other values lost as well, we want in the future that this product be created, conserved, and applied to the increased welfare of us all. We, in America, expect this fruition of our energy, our skill and our resources, and it is therefore natural that we should be sympathetic with, and that we should encourage leadership wherever it arises that points the way toward the realization of these expectations.

"It is particularly encouraging that business men have already begun to give thought to what business itself can do to help make real the benefits of high employment. Most of you, I am sure, have heard something of these activities. Individual businesses, local chambers of commerce, state and national associations of business men are developing their plans. One new organization, with which many of you are doubtless familiar, the Committee for Economic Development, has taken the peacetime expansion of private business as its first and single job.

"The Committee is a business man's organization, set up for the purpose of discharging this special responsibility of business in the post-war period, that is, through the expansion and stimulation of business activity on a strictly sound business basis to make the maximum business contribution to high employment and sustained employment. The Committee believes that whatever business can do along these lines, others—particularly government—will not have to do and will not want to do.

"Today most business men agree that the elimination of mass unemployment is the first requirement for the post-war period. Many will go so far as to agree that unless mass unemployment can be eliminated under a system of private business enterprise, private business enterprise will be supplanted by some other arrangements for the production and distribution of goods and services. The demonstration of what we are able to produce under the rules of a war-time economy is unanswerable evidence of what machines and men and organization can accomplish if their technical capacities are given full rein. And we know that at the present time, with the newness of the war-time conditions under which we are working, the organizational and administrative arrangements are of much less effectiveness than they will become with longer experience. And so, for these good reasons, business men are giving thought to the responsibilities of private enterprise in doing its full part in achieving high production and high employment in the post-war period. I hasten to say that as far as I know, these business men would in every case subordinate this thinking about post-war employment to efforts directed toward the winning of the war, and each, in his capacity as a business manager, has made

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WPB Assumes Control Over Use Of Wood Pulp

The War Production Board announced on June 29 that it has found it necessary to assume control over the use of all grades of wood pulp due to the fact that the demands of the several claimant agencies for paper and paper products "have become so insistent and the shortages of wood pulp so severe."

The WPB's Pulp and Paper Division is given power to direct the use of any or all wood pulp by paper mills, paper board producers and manufacturers of other paper products. Hitherto the division has regulated only deliveries and acceptances of pulp.

In Associated Press Washington advices, June 29, it was stated:

"Full exercise of the new powers will start in August, with pulp allocations to be worked out by the Wood Pulp Allocation Committee at its next session on July 19.

"The disappearance of some unnecessary types of paper products for the duration was hinted in WPB's notice that it would use the new controls "to restrict or eliminate the use of wood pulp in the manufacture of the less essential papers." The notice added:

"By withholding allocations of the scarcer wood pulp grades it will be possible to encourage manufacturers of paper and paper products to use pulps and other fibrous materials which are in relatively greater supply, such as ground wood and waste or reclaimed paper, thus conserving the scarcer grades of wood pulp."

No deliveries of pulp of any grade are permitted without express authority of WPB, except shipments which do not exceed one ton a month.

The reserve pool of pulp set up by WPB in May, through instructions to pulp producers to set aside 20% of their output, will be continued, it was stated. Pulp from this pool is delivered only at WPB's direction to meet essential or emergency demands.

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corporations have succeeded in enriching their stockholders during periods of monetary inflations and deflations when the progress of these changes caused by monetary manipulations have been slow enough to enable the management to carry out speculative planning with the corporation's money. If the management can speculate on inflation or deflation successfully, large profits can be made. On the other hand, if this speculation is unsuccessful, large losses will be the result, and the management will probably lose its job and its reputation, and the stockholders will lose their equity. It is far safer to forego the prospects of large profits and operate on a hand-to-mouth policy during such a period. In order to operate safely, inventory should be kept down to the minimum, contracts should be of short duration, debts and taxes should be paid in full, and all engagements made subject to changing conditions of markets, prices and costs.

Most speculations on inflation or deflation by corporate managements have been a failure, resulting in losses. Changes in prices resulting from monetary causes do not ordinarily continue in one direction for any long period of time, and a change of direction is usually sudden and without notice. For example, during a period of rising prices a corporation management might logically convert a large part of its bank balance into inventory and for a time this might seem very profitable. But a change in policy on the part of the government without advance notice, or a change in opinion on the part of others holding inventory or on the part of speculators may bring a sharp decline in prices and wipe out a portion of the working capital value of the corporation.

The history of inflations and deflations shows that the saw tooth movement of prices and costs makes any long-term planning or speculation very hazardous for corporation managements. Stockholders should demand a sound and conservative policy during such periods. Unless the stockholders know what the policies are and the reasons for them, they cannot know to what extent the management is speculating with the stockholders' capital. Unless the stockholders do know the extent of the speculations undertaken by the management and the reasons for these policies, they cannot pass upon the policies with understanding. It seems, therefore, an obligation upon the management to make known to the stockholders the policies guiding a corporation during such times. From the standpoint of a stockholder as an owner of capital, these policies are far more important than any quarterly or annual auditing or accounting statement. A change of these policies without notice may place the stockholder in a position of speculating with the possible loss of his whole capital when he thinks that he is a conservative owner of capital and intends to avoid speculation. Ordinarily the public stockholders other than a few large stockholders cannot have enough knowledge about a corporation to advise with the management. The best such stockholders can do is to ascertain whether the management deserves confidence to such an extent that they feel safer with their capital in the corporation, or in some other business with a proved management.

These are not ordinary times. A management that stockholders have found successful, and which has made money for the stockholders, may adopt the wrong policy during rising costs resulting from inflation or may hesitate to adopt a policy which will risk the capital of the stockholders without their full knowledge of what is to be done and the reasoning back of it. At such times as these management is in an embarrassing position and should take stockholders into their confidence and explain fully the policies and the reasons for them.

What Are the Earmarks of Inflation to Guide a Corporation Management?

There are almost no earmarks that will guide corporation managements in a delayed-action inflation. The experience with inflation in other countries, without exception, shows that few people recognized inflation until it was too late to do anything about it. The rising prices and the unsatisfied demand for goods, with unemployment and bankruptcies, were only regarded as signs of poverty amidst plenty, and maladjustments. Even the fiscal administrators of the governments and the leading students of money and banking denied that any inflation existed when the value of the currencies had declined to a fraction of their legal pars in terms of foreign currencies because many businesses were not working at capacity, men were unemployed and the foreign demand for their goods was unsatisfied. This decline in the foreign value of the currency was blamed on speculators. In the United States some of the leading economists who have the respect of both government officials and the business executives have stated that there is no danger of inflation until unemployment is erased and production is going at full capacity. Others have stated that as long as there is poverty there can be no inflation. Such remarks are contrary to all the experience with inflation in other countries. The rising costs and prices resulting from inflation create maladjustments, idle men and idle factory capacity, and poverty. Some of the large corporations have made thorough investigations of the evidences of inflation and the probable effects on their businesses. The managements of these corporations have set up policies which they hope will enable them to cope with the false prosperity of inflation and its destructive effects. But the great majority of managements are too busy with the daily job and are content to take their chances and speculate with the stockholders' capital.

Can a Strong Corporation with More than the Usual Amount of Liquid Working Capital Protect its Stockholders?

A strong corporation with a management who recognizes what is happening and adjusts its policies accordingly has the best chance of keeping something for the stockholders. An abundance of liquid working capital, more than usual, and a determination to keep that position is the stockholder's greatest protection when the corporation is otherwise qualified to weather an inflation debacle. A corporation that has no debts and keeps a strong working capital position is more likely to be able to hold out and survive with something for the stockholder.

Inflation brings rising costs and prices and these are often mistaken for evidences of prosperity. These conditions bring demands for higher wages, rents, service charges, advertising cost and higher prices for materials and merchandise. It takes more cash or more bank credit to keep going at the same pace as usual. Any expansion will require still larger amounts of cash. A strong liquid working capital position is soon wiped out and debt obligations begin to grow. A corporation that is already in debt, and has heavy fixed charges, has little chance of surviving with any equity for the stockholders.

Does not this Conflict with the Popular Notion that a Corporation Should go into Debt Because Inflation Will Make it Easy to Pay Off Debts with Cheap Dollars?

This is certainly an erroneous idea. In any country that has had experience with inflation since the World War, the evidence shows that debts were a curse and the sure road to bankruptcy. The corporations that survived the infla-

tions of France and Germany with some equity left for the stockholders had little or no debt and had a policy of keeping debts at the minimum.

This notion of going into debt as a hedge against inflation has been widely spread in this country by speculators, popular writers and cloistered academicians. The evidence proves this method of hedging is the road to financial ruin, and I would rather have the verdict of experience than that of all of the armchair prophets. Only a moratorium or cancellation of debts can save the debtor from insolvency if inflation produces the rising costs in this country that it did in European countries.

If a corporation is accustomed to maintaining a million dollars liquid working capital and rising costs and prices make it necessary to maintain two million dollars to do the same amount of business, there is no alternative but to borrow or to reduce the volume of business. It is just at such times of rising costs that profits decline. If such a corporation borrows either long-term or short-term capital during such a period, it is sure to find it more and more difficult to service the debts, and the creditors less patient. This is the road to bankruptcy and the end of the stockholder's equity. Even in Germany, where the inflation ran its course and a new currency was established in about three years, it was not possible to pay off debts in cheap money. Corporations that had a policy of keeping out of debt were forced into debt and bankruptcy. The reason is that costs rise rapidly and profits disappear, and even cheap money is more difficult to obtain than good money had been during hard times under sound money conditions. Billions of dollars have been lost by well-meaning investors and corporations in this country, who were victims of the debt theory between 1933 and 1937.

Why Not Have Fixed Contracts Covering Every Step from the Purchase of Raw Material to the Sale of the Finished Goods or Services and Stabilize Your Profits?

Did you ever try to do business that way? Would you do business on that basis with other people? Take the time-lag in manufacturing between making a sale for future delivery and the actual delivery, if prices and costs change too rapidly, it is possible that you may have a satisfactory profit according to your books but an actual loss. If the buying power of your money has been reduced 25 per cent and you have satisfactorily completed a contract on a 10 per cent profit above costs you have a loss of roughly 15 per cent for practical business purposes. If this is repeated a few times new working capital will be required if the business is to keep going. Any attempt on the part of one business to fix all its contracts and every step in them until it is covered will probably do more harm than good. The fixed contracts you may make in your little sphere will not prevent prices and costs from rising generally and if you expect to go on doing business you will have to conform to the new market conditions or no one will do business with you. The other fellow is looking out for his business just the same as you are. Of course there are some who do not know what is happening and who for one reason or another may have a temporary advantage. But this will pass and on these doors you will find the familiar sign—"closed" for lack of working capital. One of the unmistakable evidences of a long and persistent inflation is the failure of many small shops and small businesses of all kinds.

Maybe the Business Man Should Just Set His Prices High Enough to Cover all Expected Changes in the Value of Money

Any such action is not within the power of the business man even if he knew what these changes were to be. Moreover almost no one will be able to guess the changes or time them. Then the man who tries this game must remember that he has competitors and many of them will not agree with him. To undersell him would be their pride. Every business is a part of the competitive system of prices and costs. A large volume business at low profit may be crushed out quickly. It is the rising volume of business during such times that blinds business men to realities. The individual business can do very little in the matter of regulating prices and costs resulting from inflation. The regulation of the value of money is the prerogative of the government. The government may regulate prices through an emergency.

Why Not Have the Government Fix All Prices for the Duration of the Inflation?

At first thought it would seem that it would be the best policy for the government to fix prices and then carry out an operation upon the money in order to prevent the undesirable effects of inflation. If this could be done quickly and then the price regulations removed, great disorder and losses would be avoided. But there are many difficulties surrounding this proposition. In the first place the government officials will not ordinarily admit of inflation because they are the first to be blamed for it. In the second place they will probably not recognize inflation until it is too late. There will be much disagreement among government officials as to what constitutes inflation and its dangers. There will be equally as many proposed methods of dealing with inflation when it does exist. Inflation when it gets under way will not wait on a debating society. In addition, a democracy will find it difficult to fix prices until prices have risen and created maladjustments and hardship which arouses the public to demand that prices be fixed. By this time the damage has been done. To lower prices would do more damage and create more maladjustments. For example, a business which had been operating from hand-to-mouth while prices were rising for fear of government action which would cause prices to fall may have taken such great losses that finally the management decided to speculate with the hope of recovering something for the stockholders and maintaining their reputation, and they went out on a limb with borrowed money and bought inventory. At this point, with the corporation's debts reaching new all-time

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US And Paraguay To Negotiate Trade Pact

The State Department has formally made known the notice of intention to negotiate a trade agreement with the Government of Paraguay and has indicated Aug. 4 as the date of public hearings for presentation of views on "the possible granting of concessions by the Government of the United States."

Those interested may make representations to the Committee for Reciprocity Information on any articles of actual or potential interest in the import or export trade of the United States with Paraguay, the State Department said.

Amberg Candidate For ABA Vice-Presidency

Harold V. Amberg, Vice-President of the First National Bank of Chicago, is the candidate of the Illinois bankers for Vice-President of the American Bankers Association. This action was taken at a meeting of the Council of Administration of the Illinois Bankers Association held on June 25, at which time President George R. Boyles called attention to the fact that over two years ago the Chicago District of the Illinois Bankers Association had formally presented the name of Mr. Amberg for the office of Second Vice-President of the A.B.A., which action later was endorsed at the meeting of the A.B.A. membership in Illinois.

This continued endorsement was given Mr. Amberg, it was said, in spite of his refusal to project himself as a candidate or to make any campaign for the office. It was further pointed out that the bankers in Illinois feel that he is highly qualified, that his leadership would be a broad one nationally, and that it would do much to expand the benefits of banking service to industry and agriculture, as well as to the general public.

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highs and profits erased, the government comes along with a price-freezing policy demanded by public opinion and fixes prices at the level of some previous base period which is substantially below the level at which the corporation bought inventory with borrowed money. Other corporations which have raised wages to meet the demands of labor because of rising prices will be confronted with wage costs they cannot pay at the new low prices. Many similar maladjustments could be enumerated as a result of the policy of price-fixing.

After the government officials have fixed prices there will be the tendency to police the markets and keep prices fixed rather than remove the cause for price inflation resulting from monetary conditions. There will be little agreement as to just what should be done and how to do it. As a result probably nothing will be done except try to police the markets and make headlines out of chasing bootleggers and chiselers. Removing the conditions which create these unsocial characters is most difficult. Out of these conditions a new group of politicians who can make a big noise and gather a following will arise. But neither business enterprise nor the public will get much relief. When analyzed, price fixing to prevent prices from rising while the government officials perform an operation upon the money system offers little hope. Price-fixing and policing the markets without doing anything about the causes for inflationary prices will create fertile ground for all kinds of malpractice upon the public and other evils without removing the causes for price inflation.

At what level should a price or all prices be fixed? What measures should be adopted during the period of price-fixing to insure reasonable competitive stability when the fixing is removed? If bottlenecks, rationing, and the procuring of necessary materials for the defense program were the only causes of the rising prices, then the maladjustments in prices would correct themselves when the causes are removed. Hardship or benefit to a few people would be no problem of importance and the future of price inflation dangers could be dismissed. But price inflation that lasts and does everlasting harm to the wage earner and every man who works and saves arises from monetary disturbances growing out of fiscal and banking policies. At this time we have many monetary disturbances which threaten to bring on price inflation. These include our vast hoard of gold and silver, the excess reserves and billions of currency inflation, fiat bank deposits created by the banks buying government bonds, mounting government debts and deficits, to mention only a few of the major factors.

If prices are frozen at this level what will be done to remove the dangers of price inflation when the national defense program has been completed? In all this debate about price-fixing there has been nothing said about the operations necessary to remove the monetary dangers of price inflation while the emergency of price-fixing is here. It is further a reasonable surmise that no research has been done upon this important question.

Price-fixing for the duration of the emergency may be desirable, but then what, if during the emergency the dangers of inflation are not removed but multiplied and expanded?

What Corporation Can Survive Even a 100 Per Cent Rise in Wages and Other Costs With the Stockholder's Equity Intact?

The corporations that will do the best job of it are those that keep out of debt, maintain a strong liquid capital position, constantly adjust their business to maintain a strong position, operate from hand-to-mouth and quit any costly activity that does not pay. These are general characteristics. An individual corporation may survive intact because of good management, or successful speculation. Or because of the nature of the business, some corporations may survive. Debts and fixed charges eliminate from consideration most utilities and railroads, banks and insurance companies required to invest in bonds, merchandising corporations, and a great variety of manufacturing and miscellaneous businesses. No doubt you have read that corporations producing raw materials such as copper and oil are good inflation hedges. They may be and they may not be at all. If such a producer of raw materials, which has rich deposits, is out of debt and is strong with cash and can avoid debts during the period of rising costs and prices, it may be one of the best inflation hedges. But how many such companies do you know? There are almost none. A large integrated oil company whose common stock is regarded as a sound investment at these times may have little left for the common stockholder after rising costs and debts resulting from inflation which will seriously affect costs in the producing, manufacturing and marketing ends of its business. An oil producer with large reserves which has enough liquid capital to live through and can close down during the period of inflation will save more for the common stockholder but during this period income would be wiped out and the price of the stock might sink to a low level in good money. These same problems face any corporation producing raw materials. A large integrated oil company would not be allowed to shut down; nor would any other producer and manufacturer of raw materials necessary to the public welfare.

Gold mining stocks are not necessarily an inflation hedge even if gold itself is the best inflation hedge. A gold mining company with proved resources can only increase its production slowly. It is true that the currency value of the gold it does produce would increase if the gold value of the dollar decreases, but if the costs of operations rose more rapidly than the currency value of gold, or if the government fixed the prices of gold or confiscated the gold at a fixed price and let costs rise, the mine could soon be forced into bankruptcy. The marginal mines are certainly not suitable hedges unless they have proved resources and will close down with enough cash to cover costs and taxes for the duration of the inflation period.

Chemical stocks and the stocks of amusement companies have been widely tipped as inflation hedges. Such generalities are worthless and misleading to many people. These corporations may come through the inflation with the equi-

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sure that his responsibilities for present war-time production are being efficiently discharged.

"But it would be folly to expect that business can make the transition from full war-time employment to high peace-time employment without cooperation from public government at every level —Federal, State, and local.

"These measure of cooperation between government and business are good, but in my opinion they are not enough. In addition, we require for success in the attack by business and government on the danger of mass unemployment a commitment on the part of government that, through an explicit fiscal and monetary policy, it will act when business, as business, cannot act to sustain employment and effective demand.

"To put it in another way, it is inescapable that the national state, through an explicit and implemented fiscal and monetary policy, must complement and supplement the activities of private business in the maintenance of high production and high employment.

"To make this propostion more effective than a mere statement of intent, there are a number of corrective measures that the government should adopt on its own behalf and for the sake of its own effectiveness. At the present time, even if a fiscal and monetary policy to complement and supplement the activities of private business were generally agreed upon, there is no possibility under the present organization of the Federal government of its being made operative or effective.

"There are three principal causes for this inadequacy, and ways must be found for eliminating them, or at least reducing the severity of their influence.

"The first change that needs to be made is in the organization of the administrative branch of the Federal government. The administration of any fiscal policy at all calls for cooperation among agencies and for singleness of policy in at least several respects: the Federal budget; the Federal lending policy at home and abroad; the credit and monetary policies under the jurisdiction of the Federal Reserve System; the creation and refunding of Federal debt, which is now managed by the Treasury; the tax program; and, possibly, the activities of the Securities and Exchange Commission. These several functions are all intimately associated in giving reality to any governmental fiscal and monetary policy designed to cooperate with private business in achieving high productivity and high employment. These functions are scattered among several departments and agencies, and, during the 30's, there was clear evidence of conflict in basic policy. This meant that during that period the administration had no consistent or continuing fiscal policy and was unable to use the full power of fiscal measures to support its attempts to reach the humane goals it had set for itself in other fields.

"A similar situation exists in Congress with the several committees of both House and Senate that must consider legislative policy on fiscal and monetary matters. Even if a consistently strong policy should emerge from the administrative branch, it would be subject to delay and possible damaging amendment before the necessary legislation would be forthcoming. As far as taking the initiative is concerned, Congress is handicapped both by organizational and procedural difficulties and also by grossly inadequate staffing of its technical services.

"Another very serious difficulty is the lack of close collaboration on policies of expenditure and taxation between the Federal Government on the one hand and the state and local governments on the other. This weakness has been well understood for years, but the initiative which might have been expected from the Federal Government in analyzing the problem and making some preliminary suggestions has not been forthcoming until recent weeks. The Report of the Treasury Committee on Inter-Governmental Levels treats of this problem in a somewhat timid and ineffective way, in sharp contrast to the bold assurance of the more recent Treasury report on currency stabilization as among the sovereign nations of the whole world.

"Here, at the point of fiscal and monetary policy, where the relations between government and business are of the greatest importance for the working out of the post-war employment and production problems, business may properly be apprehensive. It may be apprehensive, not that the intentions of government will be hostile or even indifferent, but that, unless the preparatory organizational work is done now, the Federal Government will be helpless in executing even the most elementary collaborative program.

"A fiscal policy that complements and supplements the activities of private business in the maintenance of high employment is sometimes called a compensatory fiscal policy. There is not the time for a detailed discussion of the elements of such a policy. But there are certain points that are worth mentioning to avoid misunderstanding.

"A compensatory fiscal policy does not contemplate permanent budget deficits as a necessary element in the economy. On the contrary, it allows for the possible over-expansion of private business activity which would be checked by public debt retirement.

"Such a policy does not require spending for its own sake, nor does it approve wasteful expenditure. Sound policy dictates that the activities of any public body should be determined by policy considerations as to the appropriate field of public activity, not by the generalized needs of the economic system for expansion of purchasing power. Sound policy also requires that public expenditures should be made with efficiency and with high standards of productivity.

"But given the wide area which is generally agreed to be suitable for common undertakings through public agencies, the stimulus to purchasing power when needed may well come through reduction of taxation. Why not leave at home for expenditure by the individual, income that otherwise would have to be pumped out again in order to maintain high employment? Such reductions in taxes should be made where they will do the most good in creating demand and in encouraging private enterprise. And it is particuraly important to notice that under a compensatory fiscal policy, if stimulus is needed, we need not wait for a balanced budget to proceed with a program of reducing taxes.

"Much has been said and written about public works as a means of providing employment and of evening out the business cycle. Lately, we have become familiar with the phrase 'a shelf of projects' to be ready if business should become depressed.

"We must not expect too much from a public works program as a general support for high employment. If we believe in the policy of no wasteful public expenditure and no spending for its own sake, the administrative difficulties make proper timing almost impossible, and reduce the potential volume well below the requirements of a true depression. Public works alone cannot do the job.

"The most we can expect, and this is no small gain, is that public works can be planned and undertaken in such a way as to even out the activities of the construction industry itself, thereby providing a reasonable level of construction throughout the year and year after year. Some rough approximation could be made of what aggregate employment in construction would be suitable over a period of years, and to maintain the desired volume of construction, public works might be undertaken when private construction fell off. Of course not all public works could or should be deferred, but many optional plans could be ready when the need for public works construction employment became apparent.

"But, as I have said, it seems to me unreasonable, indeed I feel that it is reckless optimism, to expect that public works expenditures can be counted on as a balancing factor for the economy as a whole. Nevertheless, if we could only achieve reasonable balance in the construction industry itself a great deal would have been accomplished.

"A reasonably continuous level of activity in the construction industry within the year and over the years would greatly increase the efficiency of the industry and any given level of employment would yield a larger and larger product as the years went by. The traditional recurrent idleness of men and equipment in the construction industry has forced for sheer survival the adoption of practices which all deplore.

"These practices, I feel sure, can be largely eliminated once the industry comes to have confidence in continuity of activity. But as these practices now exist, they are a serious obstacle to the use of the construction industry as a publicly supported agency for employment.

"I hope that the construction industry will take the initiative and attack the evil of restrictive conditions. But I also feel that the leadership in the industry would be heartened if the volume and timing of public works construction were such as to give promise of a reasonably continuous level of public and private demand over the years.

"The attainment of high levels of employment will still leave many individual men and women in need. A modern industrial society with its enormous productive capacity can give a certain minimum protection to the individual citizen against the occasion of unemployment, destitution in old age, accident, and disease. It can assess the burden of this minimum protection with reasonable fairness against the aggregate national product. I do not believe that such humane provision will weaken our energies or our ambitions, nor do I feel that we require the spectacle of fortuitous human distress to teach us the wisdom of avoiding error and evil.

"Not only in the area of high employment, high production, and humane protection, are there goals to aim at. In our democratic representative process, there are also objectives that are worth thinking about.

"During the discussions of recent months about the pay-as-

you-go income tax measure, the public watched the operations of the legislative process with unusually close attention. Inevitably, as a result of the ups and downs and delays, Congress came in for a lot of criticism. In spite of this criticism, some of which was just, and some of which was not, it is a good thing that in this country we have a Congress to work with.

"This does not mean that Congress is perfect, or even that as a democratic legislative body it is not susceptible to the improvement that comes with the passage of time and from the lessons of experience.

"Some of this improvement must come on the initiative of Congress itself. Change and modernization of rules, precedents, and procedures should be undertaken, changes that would not weaken the essential integrity of the representative process, but that would make it less clumsy and more effective, more nearly in fact as we picture it as an ideal. The initiative for these changes must come from Congress itself, because in Congress is to be found the wisdom, the intuitive sense of balance, and the authority that can bring helpful reforms into being.

"But there are some things that Congress cannot do alone, that require the initiative and support of the people generally, the citizens whom Congress serves.

"I think we must recognize that membership in Congress is the top legislative job in our very important country, that it is therefore a very important job both for our country and for the world.

"I think we must recognize that membership in Congress has become a full time job, not a job that can be fitted in between crop seasons, or between law cases or while a partner can handle the business alone. The time required in Washington has grown to be and will continue to be extensive, and the time at home is fully occupied with duties that arise from legislative responsibilities.

"I think we must recognize that membership in Congress requires unusual talents of intellectual equipment, energy, courage, and the rare ability to make oneself acceptable to a constituency through the operation of our democratic process.

"We should also encourage Congress to provide itself with much more adequate technical and professional services. Congress has not made the provision for its own needs that modern times require. As a result it has been too dependent on outside experts, occasional and fortuitous consultation, and on the permanent establishments of the administrative branch. These good sources of information and suggestion should not be brushed aside, but Congress should have its own technical services fully equipped to handle problems as the recognized servant of Congress. Such services could be built up in a number of ways. For example, the Library of Congress lends itself admirably to important extension and development. In time, it might become the cornerstone of a national university of a special type, a great institution of learning, serving the people generally and at the same time available to the members of Congress and responsive to every technical need.

"We must give due attention to our representative process and the measures and attitudes that may strengthen it. Our economic and social problems are exceedingly important, but we need not for that reason neglect our legislative institutions, on which so much depends, as we move on to extend and enrich our democracy.

"These then are a few of the things we have to shoot at—high employment and high production, maximum activity of private enterprise, an effective compensatory fiscal policy, prompt tax reduction, public works planned to contribute to a more stable and more efficient construction industry, a minimum protection against the hazards of life, and finally an improvement in the operations and position of our representative legislative process.

"These are splendid goals and they give us great promise for the future. But standing before these goals are those more immediate targets, the Italians, the Germans, and the Japanese. Let us use our goals to give us unity and energy and sense of direction in attacking these targets. The war comes first, always, and our thinking about the future can help us in the winning of the war."

WPA Now Liquidated

The Works Project Administration turned back $130,000,000 to the Treasury on June 30 and went out of existence, it was reported in an Associated Press dispatch from Washington which further said:

Only a small "liquidation staff" of the depression-born relief agency remained at the end, getting records and accounts into shape for a final report on its operations.

The records will show, officials said, that WPA spent some $10,500,000,000 and employed 8,500,000 from its inception in 1935.

The turnover to the Treasury, they said, was $105,000,000 in unexpended funds and $25,000,000 in supplies and materials.

Says U. S. Can Carry $200 Billion Debt, Preserve Credit And Avoid Inflation

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are running close to $7,000,000,000 a month" and that our public debt is now running to $135,000,000,000. According to Mr. Weisman, "it is not so much the sum total of a nation's indebtedness that is important from the point of view of inflation as the disposition of the rank and file toward that indebtedness." He went on to say that over the last 40 or 50 years "the British have carried what we would regard as a very heavy indebtedness." He went on to say and have done it while maintaining a sound economy in about every respect."

"I think that the answer to our question," he said, "lies fundamentally in whether or not we are going to pursue the British thinking with respect to this." He further said:

"Is it going to be important to us as American citizens and to you, as business executives, to preserve the integrity of the promises of the United States Treasury to pay, or will you decide sometime in the next four or five years that as individuals and as business corporations you would be better off taxing the other tax, by throwing the burden over and wiping the slate clean. What you decide about that and what we decide about it I think will be determined largely by where the bulk of the indebtedness is as of the end of the war. If it is in our own lock boxes, if five or ten or twenty million American citizens have long-term war bonds, these 1964-69 that we are urged to buy now, in their safety deposit boxes when the war is over and if they think of those as a part of their estates and clip the coupons and keep the principal intact, then I think we shall find that we shall carry this debt safely, shall meet interest and principal payments as they fall due, protect and preserve our public credit and avoid a destructive inflation."

The address of Mr. Weisman, delivered before the War Conference of the National Association of Building Owners and Managers, follows in full:

In the brief time that I have to discuss this matter with you today, I want to consider two phases of the inflationary process, the one to which a good deal of our attention has been directed to this time, the other to which more and more of it needs to be directed if we are to finance this war without a really serious disruption of our whole business and financial structure.

A little more than a year ago President Roosevelt first addressed himself to the subject of the avoidance of inflation and he began by saying he didn't like the word "inflation," that there was disagreement among people as to what it meant and that one individual had one thought in mind when inflation was being discussed and another quite a different topic, so the President said: "What I propose to talk about instead of inflation is high cost of living," and as you are well aware, as a result of that first broadcast on the high cost of living some mild measures were adopted by the OPA and other Government agencies looking toward the placing and maintenance of price ceilings.

Now if the high cost of living and a rising trend of prices are of the essence of inflation, then I need not to say at this late date that we cannot avoid inflation, because that phase of inflation is definitely here and there is every reason to believe that we shall see more rather than less of that, and for a perfectly obvious and natural reason: Prices rise as a result of a combination of these two circumstances. On the one hand, scarcity or declining supply of goods, and as we have diverted more and more and more of our labor and material and energy to the production of planes and tanks and ships, less has been available for the production of civilian goods, and as you know, civilian goods in an ever-wider area have been growing scarce and week by week they become scarcer, their prices rise and, of course, that is natural, and I should say unavoidable and not necessarily undesirable.

The other phase of this same subject of inflation is, as you know, the great increase in employment that is a product of the war, the free spending, for which the Government is itself responsible, and the pouring into the stream of circulation literally of billions of new buying power that was not there a year ago or two years ago when this conflict first began.

So that with the declining volume of goods on the one hand and the increasing supply of money and big deposits on the other, high prices follow as a matter of course. There is no means by which that phase of inflation may be avoided.

But that isn't the phase of inflation that creates great uneasiness in the minds of the people today. To be sure, we wish our weekly or monthly incomes would go somewhat further in roast beef, and some people with liquor, but we can very readily adapt ourselves to that aspect of a war economy and in spite of the minor inconveniences to which we are all subjected I think it is fair to say that no one in this room has really suffered any serious hardship as a result of the kind of inflation I have discussed to this time. That doesn't mean that steps should not be taken to prevent further rises in the cost of such essentials of living as cheap and medium-priced food or cheap and medium-priced clothing, but beyond that I am not so much concerned about the price structure as such.

I am concerned rather, ladies and gentlemen, about the phase of inflation about which our political leaders have to this time shown very little inclination to consider or to discuss, to say nothing of taking the steps necessary to prevent. I have in mind now the explosive or destructive type of inflation which is a product of great imprudence in public finance, extending over a very long period of time, and involving very heavy public expenditures that are financed not by taxation but by great expansion of the public

debt. And I want at this point to review briefly the history of American public indebtedness over the last 25 years or so. I want to go back to the period immediately preceding World War I, because whenever I talk about the danger that confronts us on this explosive inflationary front, people say: "Oh, don't be uneasy. We went through this thing in 1917 and '18, and we came out whole. Our currency was sound, our credit was good, we made a quick recovery from the war, and there is no reason for believing that that phase of our economic history will not be repeated."

I think, ladies and gentlemen, that our experience, our fiscal experience of World War I throws very little light on the probable consequences of the fiscal experiences of World War II, and I believe that for two reasons. The first is that we entered World War I virtually free from public indebtedness. We had conserved over a long period of years and over a very prosperous period our national credit to the end that when an emergency presented itself we could draw upon it freely, use it as far as we needed to employ it to meet the emergency in question, and then find ourselves perfectly solvent after the credit had been pretty well exhausted, and the emergency successfully met.

Instead of conserving our credit in the twenty-odd years between World War I and World War II, we drew heavily upon that credit resource to finance an emergency or a series of emergencies that were of a minor and almost phoney character by comparison with the emergency that confronted us when we were attacked at Pearl Harbor in December, 1941, and instead of having then a great fund of credit with which to meet this emergency we found that we had used billions of credit for financing the minor emergencies of the 1930's which we now realize we need and need imperatively to finance the genuine emergencies of the 1940's, and if you believe that we are likely to avoid any serious inflationary consequences as a result of financing this war, just bear in mind this fact: that we started to finance World War II with a public debt that was well in excess of the $45,000,000,000 ceiling that World War I Congress had set as the upper limit of prudent public debt expansion. That is to say, we had a greater indebtedness as of Pearl Harbor than our Congress believed we could safely carry as recently as 1917.

Now we have entered this war with a situation on the side of taxation that is similar in many respects to the situation I have reviewed with respect to World War I. We have paid income taxes, those of us in this room, under such unhappy and uncomfortable conditions that I suppose if I asked the people here how long the Federal Income Tax has been in effect everyone would say from the adoption of the Constitution. It seems that long, but as a matter of fact, ladies and gentlemen, the income tax amendment to the Constitution was passed in 1913, and when we found ourselves confronted with the expense of World War I, the field of income taxation was virtually untouched, the rate on corporate incomes was 1%. How would you real estate people like that today? The rate on individual incomes in the upper brackets was 8%.

So you see what I mean when I say that the tax resources of the nation were virtually untouched and that we had available on the borrowing side a fund of credit that had been reserved or conserved over a period of almost half a century, and it is by virtue of that happy combination of circumstances that we went through World War I and financed it without imposing any serious strain on our public credit.

Now what was the situation on the tax side as of Pearl Harbor? I have indicated what it was on the debt side. We had a public indebtedness of about fifty billion dollars. On the tax side before Pearl Harbor we had likewise wasted a good deal of our substance in riotous living. We had raised taxes both on business enterprise and on individual incomes in the upper brackets about as high as it was possible to go consistent with the maintenance of the then prevailing rates of income, and the best testimony I can offer in support of that point is that the Federal Revenue Act of 1942, which was characteried by its author as an all-out tax measure, was calculated to produce only nine billion dollars more than the Revenue Law of the preceding year, which was a peacetime measure.

So, to reiterate, we are confronted with this very grave fiscal emergency because we started to finance this war with our major tax sources substantially exhausted and with our public credit already under a heavy strain as a result of imprudent financing over the decade of the 1930's.

And, of course, to aggravate the situation, the costs of this war are running into figures that are unprecedently high. It is no proof of our ability to finance this war successfully or without a serious disruption of our economic life to say we financed World War I successfully because we had spent in preparing for this war before Pearl Harbor more than all of the cost that was incurred in financing World War I.

Now we are merged in expenditures that are runing close to seven billion dollars a month. For the fiscal year beginning this July first, the budgeted expenditures are almost exactly one hundred billion, which means a little more than eight billion dollars a month, just about the annual average cost of financing the whole Federal establishment in the decade of the 1930's, about twice the average cost of financing the entire Federal establishment in the 1920's.

So, ladies and gentlemen, you are thinking about a situation here for which there is no precedent in our history or in the history of any other nation.

You perhaps noticed in the papers the report of the British budget for the next fiscal year. It contemplates expenditures of about twenty billion dollars, about one-fifth of what we are doing, so we are dealing with a situation here for which there is no precedent and for which history, I think, affords no illustrative literature of any type.

This is not a bond-selling speech, although if anyone desires to go out and buy a bond on his expense account while he is here, I think that will be all right with me, but in opening this latest bond drive, Mr. Morgenthau said that we should have to borrow seventy billion dollars this year, and the question that I want to discuss with you in the few minutes that remain is whether it is possible for the United States to borrow seventy billion dollars in one year and avoid an inflation of a destructive type, and by an inflation of a destructive type I mean an inflation in which people are anxious to get out of money because they think it is on the way to becoming worthless, and to get into real things, into real estate, into precious stones, into canned goods, or anything of permanent value. That is what I am talking about, and we have seen, unfortunately, in recent months some evidences of thinking of that kind in the minds of a good many people.

I think that we are talking about a question about which at this date a reasonable difference of opinion may well be entertained. There are people whose judgments I respect who think we have gone so far in unsound financing with the public debt, now running one hundred and thirty-five billion dollars that there is no turning back, that the most prudent financing from this time forth would not save us from a really destructive inflation. I am glad to say I am not of that opinion. I think we have time, but I think the days of grace are comparatively few. I should be inclined to believe that the answer to the question we are addressing ourselves here to do, can we avoid inflation, will be somehow provided in the events of the next three to six months.

As I see the situation, it is not so much the sum total of a nation's indebtedness that is important from the point of view of inflation as the disposition of the rank and file toward that indebtedness. Those of you who know anything of British finance and economic history over the last 40 or 50 years know that the British have carried what we would regard as a very heavy indebtedness over all these years and have done it while maintaining a sound economy in about every respect.

On the other hand, France, just across the Channel, with a comparable indebtedness, has gone through not one but not less than four separate inflations of a destructive type, for the reason that the disposition of the French toward their indebtedness was quite different from that of the British, and wherein the difference? In the first instance the difference will be found in the attitude of the British on the one hand and the French on the other, toward taxation. The British have always believed that it was tremendously important for the British Government and the British economy as a whole to meet all of their obligations, to observe the strictest kind of integrity with respect to all kinds of financial transactions, that the life of Great Britain as a creditor nation and as an exporting nation and as a world banker was dependent upon the observance here not only of the letter but of the spirit of all of the British obligations.

The French, on the other hand, have never liked to pay taxes. They have said: "Let the future generation take care of it. Let us borrow to the limit of our capacity. Perhaps there is a pot of gold at the rainbow's end that will make it unnecessary for us to assume this heavy burden."

I think that the answer to our question, ladies and gentlemen, lies fundamentally in whether or not we are going to pursue the British thinking with respect to this thing or the French thinking. Is it going to be important to us as American citizens and to you, as business executives, to preserve the integrity of the promises of the United States Treasury to pay, or will you decide sometime in the next four or five years that, as individuals and as business corporations, you would be better off taxing the other tax, by throwing the burden over and wiping the slate clean. What you decide about that and what we decide about it I think will be determined largely by where the bulk of the indebtedness is as of the end of the war. If it is in our own lock boxes, if five or ten or twenty million American citizens have long-term war bonds, these 1964-69's that we are urged to buy now, in their safety deposit boxes when the war is over and if they think of those as a part of their estates and clip the coupons but keep the principal intact, then I think that we shall find that we shall carry this debt safely, shall meet interest and principal payments as they fall due, protect and preserve our public credit and avoid a destructive inflation. And, of course, the more widely these bonds are held, the greater the disposition of the majority of us to favor the observation of the letter and the spirit of the contract. Our financial interest will be in preserving the credit rather than in destroying it.

But if future bond campaigns go no better than that of December and of April bond campaign I am talking about went, and if it is necessary for the banks, particularly the large banks to take billions and billions more of this government debt and if the war should end with the banks of the country, the Federal Reserve Banks and the large city banks of the country holding one hundred or one hundred fifty million of the public debt of the United States, I should have the gravest doubt of our disposition or the disposition of our children to assume the burden in the form of taxation of honoring those contractual obligations, because the end of the war is certain to bring a period of economic distress of one kind or another. We are going to be confronted for a decade and probably for a generation with such taxes as this nation has never seen before, and sometime in the process of trying to work out these post-war difficulties, the thought is going to occur to somebody that it is the heavy interest on sinking fund requirements of this public debt that is the real millstone around our necks, that that is the thing that makes it impossible for us to lay a foundation for a sound and quick business recovery and at that point when enough people are persuaded that that is the difficulty, you may be sure that some Huey Long or some Gerald L. K. Smith or some Father Coughlin will come along and say to the American people, "Don't pay tribute to these rich bankers," and

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Managing A Business For Stockholders Through The Vicissitudes Of Inflation

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ties for stockholders worth something or they may not. Their success depends on their financial position, management and the operations during the period of inflation. There is so much erroneous information about, to catch suckers, that it is not possible in the limits of this paper to analyze it all, but if you are interested in preserving the equity in your own corporation, or in corporations whose shares you may own, to understand the possibilities requires an investigation of the nature of the business, financial strength, as well as policies and preparations to withstand inflation. In many corporations nothing can save the equity if we are to have an extreme inflation such as took place in France after World War I.

When the defense program is completed or the war is over the volume of business and prices will fall but costs will not fall as much or as rapidly. An inflation explosion could occur before the defense program is over but that seems doubtful unless the war lasts several years. During the rapid stages of inflation the prices of almost all common stocks may go up, but most of them will finally fall more rapidly than they rise. Many will survive but a large per cent of them with only a fraction of their present relative value, and many will have the value entirely erased, while some will go to new high prices and maintain the relative purchasing power or enrich the holder. This depends on the ability of the corporation and the management to cope with these conditions. Timing the coming of explosive inflation as it will affect the value of corporation equities is a guessing and speculative undertaking. It would seem best and safest to take the road of least guessing and speculation and thoroughly prepare for it. The government may delay inflation by its monetary and price policies and by management schemes, but it seems to me inflation cannot be avoided permanently unless we have really come to a "new era" in the history of money, prices, inflation, and government management. Most new eras have finally turned out to be old mistakes and this one, I dare speculate, will not be an exception.

Should a Corporation Transfer Its Liquid Capital Into Money of Some Other Country?

At the present time what country would you rather have your money in than the United States? There is no other currency any better or safer just now. Of course if we reach the stage that the dollar in foreign exchange begins to fall below its pegged gold value it may be possible for some corporations and their bankers to shift into the foreign exchange of other countries for a short period and then bring the money back with a multiplied number of dollars. All this depends on judgment, timing, foreign exchange regulations, and the conditions of foreign currencies at that time. During the German and French inflations after the World War many corporations, banks and insurance companies were enriched by shifting their liquid balances into the pound, the dollar, and the Swiss franc.

If Prices and Costs Are Going to Rise, Would it not Be Some Protection for a Corporation to Buy Inventory of All kinds, and Even Borrow Money and Buy Futures in the Commodities Markets?

If a corporation decides to buy inventory and futures in commodities in excess of its operating needs, at what price will it buy? Already prices of most raw materials and many finished goods have risen sharply and if and when the war ends a crash seems inevitable. Just what will happen to the equity of corporations that get caught with inventory bought with borrowed money is an old story that ought to be familiar to most corporate managers. These fluctuations in prices are to be expected and government control, while an added uncertainty, may prevent prices from rising, it will not stop them from going down or make buyers buy when prices do go down.

There is a time for everything. Corporations using nonperishable materials such as copper, hardware, lead, lumber, and the like, which had excess liquid capital and saw the trend of these prices when they were very low, mjght well have stocked up their needs for some time ahead. But how many corporation managers or other people foresaw the rise in prices? For a corporation that must borrow money it is seldom, if ever, desirable to speculate on inventory no matter what the low level is to which the price has fallen. If you will trace the history of corporate experience with inventory speculation, you will find that while great profits have been made, by and in the large greater losses have been sustained. Inventory speculation is one of the most provocative causes of corporation bankruptcy. Rising prices caused by inflation never go in a straight line but fluctuate more violently because of the added uncertainties caused by rising prices, speculation and threats of government control. If bonds come due or bank loans have to be renewed during a period of price collapse, embarrassment is sure. Even for a corporation that has surplus liquid capital the buying of inventory at these times and at these prices as hedges against inflation is not sound policy. Less profits may be made but it is safer to operate on a hand-to-mouth basis. There are some instances of corporations that have hedged against inflation by providing for a continued source of raw materials that seems safe and wise but they are few. At least one or two large newspaper publishers foresaw the coming inflation during recent years when prices were low and purchased forest land at very low prices to provide for their paper needs for a generation to come. In at least one case a large newspaper has provided pretty nearly to be self-contained for a long time. Almost all its needs to continue publishing its paper have been provided for, including its own ink production. While provisions have not been made for labor and taxes in the indefinite future, its strong financial position seems to insure greater protection on these matters than most corporations can hope to have. But this is an exceptional case. Few publishers are well enough off to provide for such protection. In the case of most manufacturing, mining and merchandising corporations, no such hedges can be provided. Railroads and utilities certainly can find no comparable hedge. As for buying inventory in finished goods for some years ahead, that would be the height of folly. An officer of a mail order company tells me that twenty per cent of the items listed in their catalogue did not exist even in 1939, and more than forty per cent of them did not exist five years ago. Stocking up on finished goods inventory is a good way to make sure of losses that cannot be recovered.

If Prices Rise Faster than Wages, Won't the Corporation Engaged in Manufacturing and Merchandising Be Able to Accumulate Increased Profits and Build Up Liquid Capital?

For a while prices may rise faster than wages and generally this is the case. But while prices of finished goods are rising the prices of raw materials are also rising. Then when wages are increased and a price panic occurs because of fear

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Says U. S. Can Carry $200 Billion Debt

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don't in this connection overlook the fact that Father Coughlin's start was with an attack upon the Federal Reserve Banking system, of which he knew nothing, but it was a fine text for a demagogue to preach sermons about, and I can think now of half a dozen people who are more or less in the spotlight now, who are candidates for that job of American demagogue and dictator when the appropriate and convenient time comes.

And let me say this in connection with that, the American tradition for more than 100 years has been a tradition of popular animosity toward large banking institutions. There was the bitterest opposition to the creation of the first bank of the United States and again to the second, and after Andrew Jackson had been elected President for the second time, he set out to destroy the bank on the representation that it represented the powerful business and financial interests of the country as against the interests of the small agriculturists and small merchants, and so on. And almost 100 years later to the day, when Franklin Roosevelt in a very dramatic inaugural address got up to commit himself to drive the money changers from the temple, he was appealing to the same animus. He was saying to the American people the banks, big business, Wall Street—whatever that means—are unfriendly to the small merchant, to the small manufacturer, to the farmer, to the laboring man.

So what I am really saying, ladies and gentlemen, is that in this effort to sell billions of government bonds to individual citizens, we are tardily and quite belatedly undertaking to protect ourselves against the kind of demagoguery that we shall see altogether too much of when business begins to taper off after the war and when we are confronted again with some of the problems of reconstruction and rehabilitation to a normal civilian life.

Now the desirable thing, of course, would be to distribute these bonds into every home so that every family would have a real financial interest in observing the spirit and letter of these agreements. It would be desirable also if we could considerably increase the amount of revenue to be provided from this time forth by taxation, so that the actual amount of debt expansion would be considerably less than Mr. Morgenthau now estimates. But after what we saw with the congressional proceedings on the Ruml plan, I think we may as well write off now the hope that any appreciable increase in taxes will be effected this year, and I think it will be too late after a year to do anything about the thing we are talking about, which brings me back to the conclusion toward which I am trying to bring you, the conclusion toward which all of these remarks are pointed, that we can carry a debt of two hundred billion dollars, if need be, provided it is widely held and provided we think of it and our children think of it not as immediate income to be converted into cash and used for the purchase of new automobiles and new pleasure trips but as a permanent part of our estates as a new generation of capitalists, to be saved, and the income only to be drawn upon.

or government threat to stabilize the currency or freeze prices as of some base period, wage costs will not fall, and thus costs will rise more rapidly than profits, and the volume of business will shrink as the costs and prices rise and the great mass of consumers find that their income will not buy the supply of goods they are accustomed to use. At such times with high prices and high costs many businesses will decline in volume and deficits will be substituted for profits and finally bankruptcies for bank accounts. In brief, the experience of other countries during the inflations of recent years and the experiences in the United States following the Civil War, and the first World War show clearly that as prices and costs mount with their saw tooth habits profits disappear, speculation increases, reckless business habits develop, unemployment rises and failures among small businesses increase rapidly.

During the whole period of a cycle of inflation the wage earners in mass are losers. At times rising wages make the laboring man think that prosperity has come but rising prices will soon change that. The readjustments that accompany the strains of rising costs and prices caused by inflation and the aftermath of deflation leave poverty, unemployment and hardship among large numbers of the wage earners of the community. Of course many small businessmen and some of large affairs are reduced to poverty but their numbers are relatively small compared with that of wage earners. The burden of supporting this large unemployed class must inevitably fall upon the taxpayers and the businesses that do survive. If anyone thinks he has a chance to make big profits out of inflation, and keep those profits he is not well informed on the experiences with inflation taught by history even during periods when the governments were less paternal than they are today. In all of Germany and France not a single corporation has been found that made enormous profits out of the inflations. In fact none are available that made any profits if they kept their business within the country. There are corporations that had large liquid funds transferred to London and New York and after the inflations were over and sound money restored these funds were brought back and their buying power was much larger than before the inflations because the general level of prices in gold was very much lower than before the inflations. For example, the prices of real estate in Germany after the restoration of the new gold currency in 1923 were from 20 to 40 per cent of the prices before the war. A corporation with funds abroad had a much larger purchasing power with these funds because of the decline of prices brought on by the general poverty of the people whose liquid purchasing power had been destroyed with the old currency.

An outstanding example of what appeared at one time to be great profits from inflation that turned out to be great losses instead, and finally bankruptcy, is the vast fortune of Mr. Hugo Stinnes. With cheap money and even borrowed money he bought many steel plants, coal mines, factories, hotels and other properties. He was regarded at that time as the Rockefeller of Germany. His wealth was so great that it was the subject of comment throughout the world. Even books were written and published about the great fortune he acquired during the inflation. But this all ended in bankruptcy for Mr. Stinnes and his family, because his liquid capital was destroyed, production came to a standstill because of the poverty of consumers, and taxes and depreciation and costs of maintenance soon plunged him into debt for more than his inflation hedges were worth in the new price economy of his country.

Why Should Not a Corporation Use Surplus Capital or Even Borrow Capital and Build Necessary New Buildings, Buy New and Durable Equipment and Place the Plant in Perfect Condition?

The building of new buildings or the purchase of all necessary equipment and tools for a generation to come has been recommended as a hedge against inflation for a corporation. But this needs to be examined before carried too far. Buildings have been changed rapidly during recent years, and scientific management and modern inventions promise to require changes even more rapidly in the near future. Buildings deteriorate rapidly when idle and during the depression that will follow this inflation and the necessary readjustments, taxes and deterioration, plus the obsolescence due to scientific improvements, may make new buildings a liability rather than an asset as an inflation hedge. These same conditions limit the ability of a corporation management in the buying of tools, machinery, and equipment for future use. Notable examples of this rapid change occurred during the last depression in the automobile industry. New plants that had been built and fully equipped with the most modern machinery as late as 1930 had to be junked and new machinery and plant equipment substituted when business recovery got under way in 1933 because the new inventions were so much more efficient that a plant keeping equipment that had been produced as far back as 1930 was a high-cost producer and could not compete on price reductions with the plants that had installed new and more efficient machinery. While there are some standard parts, tools, equipment, and even some buildings that will not become obsolete, the consequences of going too far in the purchase of buildings and machinery as a hedge against inflation may prove as costly as inflation. Careful consideration of every item purchased for this purpose is necessary.

What Happens to a Corporation When Stabilization and Deflation Come Following a Period of Inflation and Apparent Prosperity?

It is during this period of stabilization and deflation that corporation managers and equity investors learn about their real losses. Business declines sharply. Prices fall. Both investors and the public dehoard and sell their inflation hedges. Liquid capital is scarce. Debts are larger than ever before. Money is hard to get and a general period of unemployment, hard times, and confusion follows. This is the story after every period of inflation that history records. Corporations that had been doing a booming business suddenly find that their debts and deficits have overcome their liquid capital and bankruptcy is inevitable. Only the strong corporation with a management that has followed the rules to maintain the corporation in sound condition through this period of deflation and stabilization will be reasonably successful in maintaining something of value for the stockholders. The problem of surviving this period when the illusions of inflation profits are wiped out and maintaining a sound corporate structure for the stockholders for the recovery period to follow is the test of an able management.

The management that has done a good job will enter this period of deflation with hand-to-mouth operations, no debts or the minimum of debts depending on the nature of the business, a strong liquid capital position, no long term commitments, a plant in good condition, and prepared to adjust operations to the requirements of the market. It would not be possible to lay down rules to guide all corporations. These are general rules which are fundamentally sound for every corporation to follow during the period of inflation and deflation. But each corporation has its own peculiar problems and only after careful study of the problems of each corporation can policies be developed for the best interest of the owners of the corporation.

The CHRONICLE invites comments on the views expressed by Dr. Wright, in this article, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce Street, New York.

Supreme Court Backs West Coast Curfew For U. S.-Born Japs

The U. S. Supreme Court on June 21 held constitutional military regulations imposing a West Coast curfew on all persons of Japanese ancestry and excluding them from specified areas. Chief Justice Stone delivered the opinion on a challenge of the regulations by two American-born persons by Japanese ancestry, who contended they were citizens of this country against whom the restructions could not constitutionally be applied.

In Associated Press Washington advices it was stated that "in a case of threatened danger requiring prompt action it is a choice between inflicting obviously needless hardship on the many or sitting passive and unresisting in the presence of the threat."

"We think," he added, "that constitutional government, in time of war, is not so powerless and does not compel so hard a choice if those charged with the responsibility of our national defense have reasonable ground for believing that the threat is real."

"The challenged orders," he said, "were defense measures for the avowed purpose of safeguarding the military area in question, at a time of threatened air raids and invasion by the Japanese forces, from the danger of sabotage, and espionage."

Those challenging the regulations were Gordon Kiyoshi Hirabayashi of Seattle and Minoru Yasui of Portland, Ore. Hirabayashi, a senior at the University of Washington at the time of his arrest, was sentenced to three months' imprisonment for violating the curfew regulation and for failing to report to an evacuation center. Yasui, a graduate of the University of Oregon, was sentenced to one year's imprisonment and fined $5,000 for violating the curfew regulation.

Advertising In The Post-War Era Must Combat State Socialism & Improve Industrial Leadership

(Continued from page 99)

self-improvement course at the same time that we set up as teachers of practical economics."

In his address, Mr. Wiley discussed what advertising could do to make the plans of the Committee for Economic Development "the greatest force for good living the world has ever known." Asserting that insofar as C.E.D. is a plan for solving post-war problems by increasing the sales of individual companies, advertising is ready, but Mr. Wiley questioned whether advertising's ability "to obtain a favorable political atmosphere, in which C.E.D. will be allowed to work out the destiny of American industry."

Mr. Wiley also had the following to say:

Where the top executive and his advertising manager and all businessmen are going to run into trouble is from the tide of state socialism that will be surging beneath this volume of production.

In this country, we love to experiment with new economic philosophies. But we differ from the other countries, in that we have so much more to lose if our experiments fail.

As a rich dilettante in the arts of government, we are apt to fall into a national frame of mind which believes we can wrap each citizen in economic cellophane, and at the same time maintain the dynamic national energy, which springs from individual initiative . . . and has been the very source of all our material progress.

I do not suggest that the advertising man, through further perfection of his art, work to stop social planning. Rather, I suggest that he accept the well being of his neighbor as an industrial responsibility and lay his plans accordingly.

If our capitalistic system is to be a real post-war model, as a result of C.E.D., then advertising can help create a body of opinion which will see to it that individual security plans are not applied in such a way as to rob the individual, who is ambitious and energetic, of his chance for the automatic rewards of free capitalism.

If we do not accept this challenge, the economic theorists will.

Now, it is often said that government social planners are impractical.

They may be impractical when it comes to figuring out how their plans will affect our economy, but they certainly are NOT impractical dreamers when it comes to salesmanship.

While we folks in advertising have concentrated upon slogans to sell everything from cosmetics to flow meters, they have devised other slogans that have shaken the foundations of our business structure.

If business wants to meet this kind of competition for the public mind, it can do so only by making sure that it has a proposition the public can believe in, and that it sells its point of view to the public.

In a democratic country, that is all you can expect to do.

The businessman must accept his responsibility for good living for Americans, and then make sure that every voter understands where his good living really comes from . . . and understands what excessive governmental costs will do to that good living. If these things are done, then socialistic planning can be modified to a point where it becomes a part of industrial growth, instead of an obstacle in the path of industry.

Yes, we have come to the period in our history when the fact that all good living depends upon the manufacture, distribution and sale of a constantly increasing volume of merchandise must be recognized by everybody. The C.E.D. is a shining example of the fact that industry does recognize its responsibility to provide good living for the common man.

But we have not yet come to the point where we thoroughly understand how to give the public a preview of this new, post-war model of capitalism and private enterprise as a social force. For instance:

How many people understand the term "capitalism"?

I doubt if one person in 10,000 would define it so that you would recognize it for what it really is in our way of life.

By the way, I'd like to offer a definition. Perhaps it is oversimplified. But, at least, if it were the accepted definition, it would help correct the impressions that have been growing since the days when Opper drew the fat man in the high silk hat and the diamond studded vest and labeled him "capital."

Definition:

"Capitalism" encourages people to save, because it promises to repay anything that is loaned, and to reward the loaner.

In recent years, millions of Americans have been taught to think of profit as a selfish, somewhat reprehensible gain which is taken directly from the mouth of babes and sucklings. These people do not realize that much maligned PROFIT is the direct source of ALL social gains. There's no other place for any social gain to come from.

I'd also like to offer a definition of profit, which if it were an accepted definition would help create a little better understanding of what business is all about.

'Definition'

"Profit" encourages people to think, because it gives an automatic reward to anyone who can do a job better.

Capitalism and profit get more work done in less time because they encourage and reward work. To talk of abolishing them is as ineffective as abolishing arithmetic. Their flaws are errors of operation, not of fact.

They can be made to create jobs for everybody. They can pay the war debt. They can accomplish any job within the imagination of man IF properly administered.

In the problems of the post-war world, we will need, as never before, the "take a chance" spirit which is the essence of capitalism. We will need the "I can do it better" spirit which can best be encouraged through allowing a profit.

These are the kind of simple facts about business, and how business operates that ought to be known throughout the length and breadth of our land. It is advertising's job to make them known.

However, I don't think industry is ever going to win a favorable environment through the kind of copy that is used to sell commodities, or the kind of copy that reports on performance in war work. Nor do I think the combative harangues that break into the advertising columns when strikes are impending will make friends for industry.

The way for business to create a favorable environment is to talk frankly about things like profit and capitalism and wage levels, management salaries and cash reserves. To talk particularly to its neighbors; those people located in the same cities in which an industry's plants and payrolls are located.

A plant may be a terrible eyesore in a town, and that's all any citizen will ever think about it, unless the men who operate that plant point out that it is a source of good living for every person in that town.

If the owners and operators of every plant will make their neighbors realize that they cannot live well unless the plant is successful, you'll find that those home-town people would have more influence in creating a favorable governmental environment for industrial progress than any lobby or pressure group.

So, the hardest peace job for advertising is to create a universal understanding that industry is the source of all good living.

Thus we have the advertising man approaching his peace-work with two jobs to do.

1. Sell a vastly increased quantity of merchandise.

2. Combat the sweep of state socialism by improving the performance of capitalism, and by selling the source of good living at the source of good government, the individual town and city.

But I'm not finished with the advertising man's peace-work. He'll have a third job.

That third job will be a continuation of something he's learned to do and do well during the war.

I'd like to give that new job a new name. I'd like to call it "productionizing."

Productionizing means using advertising methods to increase the efficiency of a company's own employees.

Industry has needed "productionizing" ever since plants grew too big for the boss to know all his employees, by name, and to show a personal interest in them.

Nothing very much was done about this need until the urgency of war production, the shortages of manpower, made it essential for someone to exercise leadership.

Someone was needed who could sell an idea to a lot of people in a hurry. Obviously the advertising manager was the man to do the job, and he's doing it.

I think the methods the advertising managers learned for handling the "productionizing" job during the war will be needed as much in peace-work as in war work.

Just as workers want to know where their products are going and how they are being used in war, they should know what happens to the products they make in peace, after they leave the shipping room.

In the future, I think the advertising manager is going to continue to explain the policies and accomplishments of management to employees through "productionizing."

Thus you have the advertising manager approaching his peace-work with a triangular job. The base of this triangle is selling. One side of the triangle is "productionizing," or industrial leadership, and the triangle is completed by making understanding friends for industry through each advertising man doing his share of what we might call "Econo-political" advertising.

That triangular job (Selling Productionizing, Explaining the Practical Economics of Good Living) represents Advertising's Place in the Post-War Era.

To be ready to assume that broader responsibility in our economic life, advertising people will need these five fundamentals.

The first fundamental is a good memory.

If business is good and our memories are bad, we'll be riding for a fall.

If, in the rush of selling commodities after the war, we forget the fears for the post-war era that have brought us together today, and fail to keep the friendly understanding and support of the public, we will be inviting, by default, another wave of depression-born government interference.

We must remember, too, from the bitter lessons of the past, that sales charts cannot continue upward without continuous improvement in products and values.

The post-war world will defeat advertising, if we use advertising to bolster the sales of merchandise that is obsolete in design, function, or price.

The second fundamental is a good understanding of the economics of American life.

We must know where good living comes from, in order that we may sell the public on the part business plays in making better living possible.

Good living for all Americans is in direct ratio to America's ability to do more work in less time.

With that fundamental fact in our minds, we can show people why it is to their interest to see that all laws must be designed to encourage industrial progress.

The third fundamental for our peace-work is Good Team Work.

The problems we will face will be too great for the stratification of advertising people into retail, industrial and consumer-advertising states of mind.

After all, the most exquisite product that was ever packaged in platinum foil and advertised in 52 four-color heliotrope scented double spreads is just another INDUSTRIAL product until the very moment the consumer lays her coin on the counter.

Let's wear our gardenias after 5 o'clock and look on our jobs for what they are . . . the voice, and the personality of INDUSTRY.

The fourth fundamental is that advertising people, as a whole, must assume an executive function in business.

It is hard enough for the advertising tail to wag the dogma of the front office on matters of budget, without extending this problem in physics to matters of policy and procedure.

The executive status of advertising people in the after-war era, will not come as a lollypop handed out by a fond top executive. Rather, it must come in recognition of a profound job of thinking, implemented by definite plans, sold to management by men and women who know that they have the answers to the immense problems of salesmanship and human relations which lie before us.

The fifth fundamental is for all of us to learn to tell time—historical time.

There's a danger in the very term "Post-War," because it makes the job seem dim and distant. That upsets our timing. There is an urgent need for better understanding between business and public TODAY.

Millions of people hold ideas right now that will make post-war a hell on earth for private effort, unless we start the job of making BUSINESS competent to provide the better life that all men yearn for.

If we will listen to the heart beat of mankind today, and attune our thinking to it, we will be ready when the clock strikes "POST-WAR."

Small Business Seeks Contracts Exemption

A case for exemption of small business from renegotiation of war contracts was presented to a House Naval Affairs Sub-Committee on June 23 by representatives of the National Small Business Men's Association. The Sub-Committee, which is investigating the advisability of revising the present renegotiation law, was presented with a picture of Government agents and small business men spending hundreds of man-hours in renegotiating contracts to recapture in some cases a mere $25,000.

One phase of the picture was given by Monroe Shakespeare, President of a Kalamazoo, Mich., firm which manufactured fishing tackle in peacetime and now turns out airplane parts. An Army-Navy "E" insignia in his buttonhole, Mr. Shakespeare told how he had worked for months with renegotiators in an effort to decide whether he should return $250,000 or $225,000 to the Government. When an agreement was reached, he said, the Renegotiation Board with which he dealt was over-ruled by Washington and now he has been called upon to submit new figures on an entirely different basis, necessitating employment of a staff of auditors.

Others among the small business spokesmen, led by DeWitt Emery, President of the Association, brought out that small business is unable to make excessive profits because of the present tax laws; that no equitable standard has been established for computing what constitutes excess profits; that renegotiators will not consider taxes as an operating cost in renegotiations, and as a result many small business men are "renegotiated" into a loss; and that renegotiation activities of various war agencies were not coordinated.

Mr. Emery and several of his colleagues also warned the Sub-Committee that some provision must be made to allow accumulation of funds for post-war reconversion of industry if disaster is to be averted.

Mr. Emery's plan for a post-war reconversion reserve was given in these columns June 24, page 2389.

Pay On Porto Alegre 7½s

Ladenburg, Thalmann & Co., as special agent, is notifying holders of City of Porto Alegre (United States of Brazil) 40-year 7½% sinking fund gold bonds external loan of 1925, that funds have been deposited with them, sufficient to make a payment in lawful currency of the United States of America, of 16.25% of the face amount of the coupons due Jan. 1, 1941, amounting to $6.09⅜ for each $37.50 coupon and $3.04 11/16 for each $18.75 coupon. It is announced that pursuant to the provisions of the Presidential Decree of the United States of Brazil, such payment, if accepted by the holders of the bonds and coupons, must be accepted in full payment of such coupons and of the claims for interest represented thereby.

No present provision, the notice states, has been made for the coupons due Jan. 1, 1932 to Jan. 1, 1934 inclusive, but they should be retained for future adjustment.

California Business Up

Further expansion in business activity in California is reported by the Wells Fargo Bank & Union Trust Co. of San Francisco in its monthly publication "The Business Outlook," recently released. According to the bank's idex of California business, May activity reached a preliminary level of 251.6, as compared with 249.9 in April and 193.9 in May, 1942. The components of the index are industrial production, freight carloadings, bank debits, and department store sales.

"Our Reporter On Governments"

By S. F. PORTER

All right, we admit it.... There's no point in side-stepping the issue at this late date and the Treasury knows all about it anyway. . . . There was a lot of free riding on the last U.S. financing. . . . Maybe more than in any issue in recent years. . . . Subscriptions for the $100,000 blocks ran to $1,347,000,000 and unquestionably a large percentage represented buying by individuals in for a quick turn and quick profit. . . . Bank buying of the securities also terrifically heavy with a few big institutions reported subscribing for billion-dollar blocks all by themselves.... Really terrific.... And the premium—far above any forecast at the start—reflects exactly this situation. . . . The notes opened at 100.14, went up to 100.16 within 10 minutes after trading began last Wednesday, rose several 32nds above that unexpectedly high mark as trading progressed. . . . Terrific is the word. . . .

The figures give you the answer. . . . Subscriptions for the totals were $19,544,000,000. . . . Subscriptions over the $100,000-mark were allotted on a 7% basis. . . . Secretary Morgenthau had the pleasure of reporting the largest over-buying in history. . . . Newspapers front-paged the story, so sensational was it at this stage of the war. . . . And the reports of speculation spread throughout the country. . . .

But all right. . . . So free riding was tremendous and the Treasury did give the smart boys a chance to turn a pretty penny. . . . To wit: on a $100,000 block, the deposit requested was only 2% or $2,000, indicating that sellers at 100½ made $500 overnight with the only proviso being that their money was tied up for a week. . . .

But . . . and since the subject is out in the open anyway, we might as well dig down into this subject of free riding again and bring out the points rarely if ever mentioned in the casual news stories on regular market deals. . . .

THE TREASURY ASKED FOR IT

Here are some angles this observer would like to emphasize at the start:

(1) By waiting until the last minute to announce the terms of the new issue, Secretary Morgenthau built up a more-than-necessary interest in the financing and had every professional investor and trader on their toes, looking for the terms. . . . Had the deal been handled differently and had the terms been worked out more astutely, this would not have happened. . . .

(2) The report of a 1½ of 1947 was around for days, giving the "boys" a chance to do some side figuring on quick profits and giving them the psychological stimulus to get busy the moment the announcement was out. . . .

(3) Morgenthau asked for free riding on this one by issuing a relatively cheap 1½% note—which the banks wanted desperately, as had been mentioned in this column at length—and by placing few restrictions on subscriptions. . . .

(4) There is no reason to blame experts for acting in a manner that is legal, entirely proper and that is indicated by developments at the time. . . .

(5) What's wrong with making a little money on a new issue in the first place? . . .

(6) What harm did free riders do to this past issue? . . .

(7) Where's the logic in complaining that individuals aren't interested in the market, by giving them a chance for profit, and then by castigating them for taking it? . . .

(8) And how do the "conservatives" reconcile their criticism on the one hand of the Treasury for letting this one be "free played" and by their criticism on the other hand of the Treasury for "killing speculation?" . . .

(9) Let's make sense out of this thing once and for all or forget it. . . .

FREE RIDING—A DEFENSE

In all the years that free riders have been playing in Government bonds, corporates and stocks, they've never actually hurt a market. . . . In all the deals that free riders have been in and out in a flash, the only discernible results of their activities have been (1) color and excitement; (2) a rising, active market; (3) some sour grapes by the big boys who weren't able to pick up all the bonds they wanted for the simple reason that they wanted too many. . . .

This columnist has made a particularly close study of free riding. . . . In fact, back in 1938, the writer wrote an expose of the method in a national magazine, thereby invited thousands of little fellows to come in and play the Government market too and thereby created numerous enemies among the professionals and spoiled the market for free riding for some time. . . . So it is natural too feel capable of judging the situation as it stands today. . . .

The Treasury is eager to stimulate individual investors, trust funds and smaller corporations into purchasing new Government issues these days. . . . Secretary Morgenthau is anxiously developing new methods every month to broaden the market. . . . The reasons for this program are obvious and need no elaboration at this stage of the financing game. . . .

Of course free riders aren't investors—as the Treasury interprets the term. . . . Of course they're not the buyers Morgenthau really is after. . . . But they could become those buyers. . . . They could spread word of regular Government offerings from one end of the land to the other. . . . They could perform a highly important function—if they were held in check and "managed" correctly. . . .

A subscriber to a successful Government issue may decide to hold part of his block beyond payment date—and therefore place himself outside of the classification of free rider—if he decides this is the best investment he can have. . . . (Remember, we're talking now about smart, professional investors who judge securities on their merits in a market, not about patriots who buy war bonds because that's the only issue they are asked specifically to pick up). . . . While he sells some of his bonds at a profit, he does hold others—and he does pass along his securities to investors who would become final holders of the issues anyway. . . . There's nothing wrong in making a profit! . . . And the person who starts out from that premise is wrong from the start because he is ignoring psychology and human nature to an utterly ridiculous degree. . . .

Let the Treasury issue restrictions from the very beginning, making free riding impossible—or let it forget the subject entirely. . . .

Let investors go on and follow their own judgment and have as good a time as possible while financing the war or let them not even get a look-in on speculation of this type. . . .

In short, do it or don't. . . . But the kind of talk around Wall Street and Washington today does no one any good. . . . And this ends the defense until more discussion is essential. . . .

INSIDE THE MARKET

Lots of rumors around about change in issue terms on next regular market deal—aimed at speculators. . . .

Few, if any traders, anticipated a ½ point premium on the 1½s at the start. . . . It was a shock to the professionals more than to any other buyers. . . . Many dealers had looked for a chance to pick up some cheap 1½s at 100.8 to 9 early in the first day of trading but found themselves completely out on a limb when trading actually got under way. . . .

Next war loan drive not due until September 9, but plans for putting this one over on a scale beyond all precedents already are well along. . . . Goal may be $20,000,000,000, although that must include some bank buying. . . . Otherwise, it just couldn't be done. . . .

Refunding operation due August 1 and lots of talk around that a new money borrowing may be arranged then too. . . .

Treasury aides have been on a swing around the nation to straighten out war bond selling organization and to get managers of coming drive in a good, enthusiastic mood. . . . This is the "lull." . . . Nothing to be done now, because Treasury has come to conclusion that no group of people—or no nation—can be kept at high pitch all the time. . . .

Market "complacency" is worse than ever. . . . Maybe the summer will be chosen as the time for a little "shaking out." . . . Would be a fine idea. . . .

Willis Says Subsidies Delusion Not Solution

(Continued from page 98)

a more determined fight against inflation than we are.

"But we are opposed to subsidies because we know that they will not do the job. The use of them now is an evasion of the real question which this country must face sooner or later. That question is . . . have we the mental clarity and political courage to control farm prices and the wages paid to labor?

"We are further opposed to subsidies because we seriously object to losing more precious time experimenting with subsidies as a cure for inflation while we know in advance that it won't work.

"Well over a year ago this industry advised the OPA that its blanket price ceilings would not work. This advice was ignored and a whole year has been wasted trying to patch up the leaking boat of price control. As OPA plugged up one hole the boat burst another seam some place else. Precious time has been wasted experimenting with theories which practical minds knew in advance wouldn't work.

"Just as we warned that price ceilings at the retail level would fail without the support of adequate control over farm prices and labor, so we now warn that a program of food subsidies will result in more wasted time and incalculable damage.

"The 'hold-the-line' order calls for a roll back of prices to September 1942. To subsidize any such move would mean a minimum subsidy payment of at least three billion dollars. Any such pumping out of public funds would not check inflation but would add to the already top-heavy purchasing power of the public. On the one hand the government is trying to syphon off some of the 40 billion dollars in excess purchasing power now in the hands of the people. With the other they urge inflation control by adding not less than three billion dollars to the public debt and this same three billion dollars would go into current circulation and thus add to the huge margin of spending power over available commodities.

"There may be strong political reasons for not doing it, but we certainly cannot have any lasting effective price controls until raw materials, farm prices and labor's income are brought into balance. Some food price increases may have to be allowed and some wage rates may have to be increased to achieve balance but these are the exceptions and could be worked out. Whereas the adoption of a policy of subsidies without the cure of the fundamental evils can only result in chaos. The subsidy payments would increase progressively as time goes on and in this way they would contribute more and more to the unbalanced price structure.

"When the time comes when federal expenditures must be curtailed and subsidies discontinued, corresponding increases in food prices will be politically impossible and farm bankruptcy will inevitably result. To ask for subsidies now is an invitation to disaster.

"It has been stated that no plan has been put forward to check inflation except by the use of subsidies. Perhaps it is convenient to forget that the food industry has long advocated a plan which would go to the root of the evil —perhaps industry's plan is too simple and practical.

"The government's present policy is to fix prices at the retail level, whereas industry's recommendation is that the proper controls be placed on all of the items which make up the cost of the finished product.

"The cost of the finished product represents the total sum of the raw material price, plus labor, plus the cost of manufacture. These are necessary charges which you cannot escape. Then the product must be distributed. With no ceiling on raw material and labor, it is impossible to hold back the price of the finished product at the retail level for long.

"The cost of raw materials must be regulated and the rates paid to labor must be established before controls can be successfully imposed on the price of the finished product.

"With the basic cost elements restrained, price controls should then be fixed on the finished product at the processor level. There may have to be exceptions for some products such as meats, fresh fruits, vegetables, but on the whole, this fomula should apply. Ceilings should be flexible enough to encourage the maximum production and allow for the natural competitive positions of all the nation's producers.

"Wholesalers and retailers should be allowed percentage mark-ups commensurate with their cost of doing business.

"Only the basic food items required for the maintenance of health should be brought under price control, and all efforts of enforcement should be concentrated on these items. What happens to the price of luxury and semi-luxury commodities is relatively unimportant to the national economy. It should be the primary objective of both government and industry to achieve effective control of those 58 commodities which, as defined by the government, make up the cost of living.

"When these basic commodities are effectively regulated, a price control plan is a success. When these standard items get out of hand, then any price control program is a failure. It is important that we keep our thinking straight and our system of price control simple. Otherwise we are lost."

The Securities Salesman's Corner

It is perfectly amazing to anyone who is old-fashioned enough to believe that experience is still worth something in this world to see that the Chairman of the government bureau which regulates the entire private financial machinery of this country NEVER SPENT ONE SINGLE DAY IN HIS ENTIRE LIFETIME IN THE BUSINESS HE IS SUPPOSED TO REGULATE. Or that another young man, aged thirty-one, jumped directly from his law school into an executive position with an important government agency and after a short time was handed the leading role in drafting the recently revised rules for proxy solicitation promulgated by the SEC.

When important members of the executive personnel of such agencies as the SEC consist of men whose only experience prior to their governmental affiliation is based entirely upon a theoretical knowledge of the business they are supposed to regulate—possibly there is ANOTHER REASON besides certain defects in the SEC laws themselves as to why private financing of American industrial enterprise has diminished to such an alarming degree.

It is becoming increasingly clear that government agencies must be kept within the limitations of the powers delegated to them by the Congress and it is also self evident that if these agencies are to "regulate" without destroying the creative energies of the industries of this country; that THESE BROAD GRANTS OF DELEGATED POWER BE ADMINISTERED BY MEN WHOSE BACKGROUND IS SYMPATHETIC TO FREE ENTERPRISE AND OUR TRADITIONAL INSTITUTIONS RATHER THAN ANTAGONISTIC TO THEM.

After the war this nation must return to the pathways of peace. Jobs must be provided by industry, agriculture and trade—not by government. If private business is to provide these jobs then THERE MUST BE A REVIVAL OF PRIVATE FINANCING IN THIS COUNTRY. Otherwise government financing of free enterprise will eventually lead to complete governmental control over our lives. That's state socialism NO MATTER WHAT KIND OF A FANCY NAME YOU TAG ON TO IT.

If you are interested in the future of your business, and if you believe that true freedom can only exist in a nation where the financial machinery is in the hands of the people and not the bureaucrats nor the professional politicians, then you should write to your Congressman and tell him that you believe that before CONGRESS APPROPRIATES ANY MORE FUNDS FOR THE UPKEEP OF THE SEC THAT IT SHOULD AMEND THE SECURITIES ACTS SO AS TO AT LEAST MAKE IT MANDATORY THAT EXECUTIVE OFFICERS OF THE COMMISSION SHOULD HAVE A CERTAIN AMOUNT OF ACTUAL EXPERIENCE IN THE BUSINESS WHICH THEY ARE DELEGATED TO REGULATE. Such a provision is now being considered by the Congress regarding the administrative officials of the OPA. Surely the men selected to supervise the activities of the nation's financial industry should be no less well qualified than those who are supposed to fix the price of a bunch of bananas, or tell us the proper length of our shirt-tails.

If you want to read something that will open your eyes, procure the minutes of the recent hearings before the House Committee on Interstate and Foreign Commerce, wherein certain members of the SEC's staff were questioned as to their financial experience and CERTAIN OF THEIR PAST POLITICAL AFFILIATIONS. It is no wonder that practical men in the securities business who have known these facts for years have been reticent about establishing anything more than the most distant sort of relationship with the Commission. You can't build a strong and virile industry when the men who run that industry are actually in fear that every act or move they make will be used by some bureaucrat to harass and destroy them.

Can you imagine the difference in morale that would take place in the securities business if by chance a group of men who have been qualified by years of experience in finance and business, whose character and reputation for fair dealing was beyond a shadow of doubt, who believed in free enterprise to the core and who also would administer the Securities Act BOTH FORCIBLY AND FAIRLY, WERE PLACED IN CHARGE OF THE AFFAIRS OF THE SECURITIES COMMISSION? IF YOU WANT TO DO SOMETHING TO HELP YOUR BUSINESS AND THE FUTURE OF YOUR COUNTRY AS WELL — THEN WRITE YOUR CONGRESSMAN AND TELL HIM YOU WANT EXPERIENCED MEN TO SIT ON THE SECURITIES & EXCHANGE COMMISSION. WE'VE HAD TEN YEARS OF BOY SCOUTS AND THAT'S JUST ABOUT ENOUGH!

Misleading Financial Statistics Criticized By Luigi Criscuolo

Luigi Criscuolo, New York banker, calls attention, in the June 30th issue of his private newsletter, "The Rubicon," to the publication of misleading financial statistics by large daily newspapers.

His comment follows:

"Financial editors of large daily newspapers are daily purveying misleading financial statistics to their readers. Most of these newspapers devote almost a page to the daily stocks transactions on the New York Stock Exchange and among the data given is the dividend rate of each stock. Years ago the policy used to be to indicate the dividend rate of the previous year, and sometimes a footnote to indicate the amount paid so far in the current year. In view of the fact that the annual dividend rate does not necessarily establish a precedent, those statistics are no longer uniform. In some cases, they show the dividends paid last year, while in other cases, they show the dividends paid so far this year. The purpose of the dividend indication is to give a prospective purchaser an idea of what dividend the stock carries so that he can judge whether it will carry itself, or not, for the purpose of an investment. The fairest way to show this dividend rate is to indicate the aggregate payment in the previous year and the quarterly rate so far this year. This may take another column, but if the newspapers really want to be purveyors of truth rather than confuse the public, they ought to be able to find this space, in the column next to the stock and not in a footnote that is hard to read."

ANTI-WINDFALL JOKER

(Continued from page 98)

come brackets can actually expect.

Mr. X, a taxpayer, reported the following incomes:—

Year	Surtax Net Income	Normal Tax Net Income
1937	$4,000.00	$4,000.00
1938	3,500.00	3.500.00
1939	2,700.00	2,700.00
1940	5,000.00	5,000.00
1942	70,000.00	68,600.00
1943	75,000.00	73,600.00

In computing Mr. X's "anti-windfall" tax he must make three computations, as follows:—

I

A—1940 surtax net income (highest "normal" year 1937-1940)	$5,000.00
B—Add "anti-windfall" exemption	20,000.00
C—Amount on which fictitious tax is to be computed	$25,000.00
(1942 rates used since X's income lower in 1942 than 1943).	
D—Surtax on $25,000	$8,500.00
E—Normal tax on $25,000 (6%)	1,500.00
F—Total fictitious tax	$10,000.00

II

A—1942 surtax net income (1942 chosen because lower than 1943)	$70,000.00
B—1942 normal tax net income (after deducting maximum earned income credit of $1,400)	68,600.00
C—Surtax on $70,000	36,740.00
D—Normal tax on $68,600 (6%)	4,116.00
E—Total 1942 tax	$40,856.00

III

A—75% of 1942 tax of $40,856 (See IIE)	$30,542.00
B—Less tax on fictitious $25,000 income (See IF)	10,000.00
C—Equals "anti-windfall" tax to be paid by March 15, 1944 of	$20,642.00

In other words, in addition to paying higher taxes because of higher rates and increased income, Mr. X must also pay a tax based on the extent of the increase of his income over the so-called "normal" years.

In this particular example Mr. X must, on the basis of a combined surtax net income of $145,000 for the years 1942 and 1943 pay the following taxes (exclusive of Victory Tax):—

1943 surtax on $75,000 (based on 1942 rates)	$40,340.00
1943 normal tax on $73,600 (6%) (after deducting maximum earned income credit of $1,400)	4,416.00
25% of 1942 surtax and normal tax of $40,856 (See IIE)	10,214.00
(This 25% is based upon forgiveness of 75% of the lower of 1942 or 1943 taxes)	
"Anti-windfall" tax (See IIIC)	20,642.00
Total tax	$75,612.00

Thus Mr. X's actual forgiveness on his 1942 tax works out as follows:—

Straight forgiveness (75% of 1942 tax of $40,856 (See IIE)	$30,642
Less "anti-windfall" tax to be paid (See IIIC)	20,642
LEAVING A NET FORGIVENESS OF ONLY	$10,000

Therefore, far from being a 75% forgiveness, Mr. X's net forgiveness is less than 25% on his 1942 tax of $40,856. In recognition of the hardship that may result from the imposition of the "anti-windfall" tax the Collector of Internal Revenue has been authorized, in cases of such hardship and where proper security is given, to allow payment of this "anti-windfall" tax in four annual installments.

The parallel now becomes apparent between the individual "anti-windfall" tax and the corporate excess profits tax as originally conceived. The corporate excess profits tax fixes 1936-1939 as the normal years; the "anti-windfall" tax fixes the years 1937-1940. The corporate excess profits tax allows an exemption of $5,000; the "anti-windfall" tax exemption is $20,000. The obvious purpose of both is to tax away excess profits of the war years.

It is quite conceivable that the "anti-windfall" tax is only a "feeler". Perhaps, if too much opposition is not raised, this method of approach to higher income tax collections will be refined and materially extended, thus giving the Treasury the opportunity to recover taxes it claims to have lost because of partial forgiveness. Congress may, in place of the fixed $20,000 exemption, create graduated exemptions based upon net income for the years 1937-1940. In this way taxpayers in practically every bracket can be affected and there is little doubt that although basic surtax rates may remain static, the actual amount of revenue realized will be greatly enhanced. In fact, it would appear from recent articles in the daily newspapers, that the Treasury Department is already preparing a new revenue bill intended to impose an excess-profits tax on individual incomes which have increased during the war.

Indirectly, of course, this would also result in placing some sort of ceiling on all incomes, and in that way circumvent Congress' recent prohibition against the $25,000 annual net income ceiling.

Another significant result of such legislation may be to do away with the method of tax avoidance that has been used in the last few years of by-passing the corporation as a means of transacting business, and having the business continued by individual enterprises and partnerships. Corporate stockholders would do well, therefore, to consider impending developments in the field of individual income taxation before scrapping their corporations, subjecting themselves in the case of distribution of assets in kind to capital gain taxes on paper profits, plus the added responsibility of personal liability in the transaction of business as individuals or partnerships.

* Mr. Bauman is associated with the law firm of Tachna & Pinkussohn.

War Should Lead To Closer Relations Between U. S. And Canada, Scully Says

The peaceful relations between Canada and the United States "have been an example to the world for over a century," Hugh Day Scully, First Canadian Consul General for New York, declared on June 30 at a luncheon given in his honor by Thomas J. Watson, President of International Business Machines Corporation, at the Union Club in New York City.

"It is inconceivable," he said, "that our relations, that have been so friendly, so mutually productive of good citizenship, should be disturbed by this cataclysm through which the world is passing. On the contrary, it should lead to closer relations. Those will embrace many fields. We have worked together in war, the United Kingdom, United States and Canada. Now we are going to have new relationships. We are going to approach a renewal and extension, perhaps entirely new developments, in the trade relations, not only of Canada and the United States, but of Canada, the United States, Great Britain and the other Dominions in the Commonwealth." Continuing he said:

"Perhaps we have gone quite a distance already along that line, and we have got to take an enlarged view. That is where I think each of you, as individuals, and those who are associated with you, must think in all these relations on a much broader basis than we ever have before. We must think, what is the maximum that we can do, even at some pains, to attain the peaceful program of commerce and industry throughout the world."

Mr. Scully said that Canada is financing half of its war expenditures from current income by taxation, and the bonds representing the other half have been widely distributed among the population. The last war loan was subscribed by one in each five of Canada's population, with an average of over $400 per subscription.

In introducing the guest of honor, Mr. Watson declared that, in his opinion, "you will see during the next 25 years, greater development and progress in Canada, based on population, than will take place in any other country of the world. He added:

"Today, Canada has greater natural resources than the United States, with a population a little over 11,000,000 compared with our population of 135,000,000. With the same population that we had in 1826, Canada is turning out just nine times as much, in the way of manufactured products, as we did when we had that same population. Canada is the fourth largest producer of war materials among the United Nations. However, she has not used our lend-lease facilities at all during this war. Canada has been one of the heaviest purchasers from us and she has paid for everything that she has purchased.

"We are selling Canada considerably more of our products than we are purchasing from her. It is our duty to see what we can do about purchasing more from Canada. One way that I see is by assisting her in every possible way to increase her industry, because that always improves standards of living, brings more population into the country, creates a desire for more things and opens up opportunities for our country to sell things that we could produce to better advantage."

Mr. Watson referred to the agreement between Canada and the United States for an unarmed boundary as "the greatest international treaty that has ever existed. I look forward to the day when we will have that kind of treaty among all the countries of the world," he concluded.

Approximately 200 guests, representing business, finance, education, public affairs and the armed forces, attended.

Other speakers at the luncheon were Harold B. Butler, British Minister at Washington, and Dr. John B. Condliffe, author of "Agenda for a Post-War World," Professor of Economics at the University of California, and now associated with the work of the Carnegie Endowment for International Peace.

US-Cuban Gold Pact Extended Two Years

Secretary of the Treasury Morgenthau and the Charge d'Affaires of Cuba, Dr. Jose T. Baron, on July 1 extended for two years beyound June 30, 1943, the agreement under which the Government of the United States undertakes to sell gold to the Government of the Republic of Cuba. The agreement provides that payment may be made within 120 days after delivery of the gold, provided that the unpaid-for amount of gold shall not at any time exceed $5,000,000. The Treasury Department's announcement says:

"'The agreement which was extended today evidences the close cooperation that exists between the Treasuries of the Republic of Cuba and the United States, and will enable the Cuban Treasury to carry out operations designed to stabilize the Cuban peso-United States dollar rate of exchange."

"The agreement has been in operation since July, 1942, and has proved to be very effective."

FDIC Reports Earnings Of Insured Banks Up

Current operating earnings of insured commercial banks increased during 1942 to the highest figure on record, but net profits after taxes showed a slight decline, Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, announced on June 24.

The growth of current operating earnings from $1,730,000.000 in 1941 to $1,791,000,000 in 1942 more than offset increased expenses and taxes, Mr. Crowley said, and net current operating earnings were larger than ever before, even after income taxes.

Net profits after taxes, but before dividends, were $441,000,000, the FDIC Chairman reported, representing a return of 6.3% on total capital funds. This is higher than in any other years except 1936 and 1941.

In Washington advices, June 24, to the New York "Times," the following was also reported.

Interest and dividends received on securities increased by $101,000,000, due almost entirely to interest on larger holdings of obligations of the United States Government. Interest and discount received on loans declined by $31,000,000, reflecting chiefly the decrease in loan volume which occurred during the year. The average rate of income received on loans declined to a new low of 4.1%.

Total current operating expenses, which in the figures released for National and State bank members of the Federal Reserve System include income taxes, increased by $32,000,000, reflecting increases in salaries, wages and fees of $37,000,000, and in taxes (including income taxes of Federal Reserve member banks) of $19,000,000, partly offset by decreases of $15,000,000 in interest on time and savings deposits and of $9,000,000 in other current operating expenses.

Interest paid on time and savings deposits continued the decline that has occurred in every year since 1934. The average rate of interest paid was 1.1% against 1.2% in 1941 and 2.4% in 1934.

Profits on securities sold decreased by $79,000,000 during the year, or by 55%. At $66,000,000, profits on securities sold were lower than for any years since 1936, when separate figures were first available.

Net charge-offs on assets (losses less recoveries on assets, exclusive of profits on securities sold) declined by $40,000,000 during the year to a new low of $114,000,000. Recoveries on assets, chiefly on securities, declined by $23,000,000, while losses on assets declined by $63,000,000.

Common and preferred cash dividends and interest paid on capital amounted to $228,000,000 in 1942, as compared with $238,000,000 in 1941. The rate of dividends on capital stock, notes and debentures declined slightly to 8.0% in 1942.

Amounts available for addition to total capital accounts (net profits after dividends) were $213,000,000, about the same as in 1941, and represented 3% of total capital accounts.

Free Enterprise Secret of Achievement of American System

First National Bank of Boston Warns Against Paternalistic Spirit of Government

"Freedom of enterprise" is fittingly described by the First National Bank of Boston as "the keynote of all freedoms as it provides opportunity for the individual to develop according to his capacity and to receive rewards, under competitive conditions in accordance with his contribution to society." Further declaring that "it is the secret of the unmatched achievement of the American system" the bank observes that "without the freedom of enterprise, the Atlantic Charter Four Freedoms, as well as all others, would disappear virtually overnight. For the only alternative to individual enterprise is collectiivsm, the very nature of which destroys all freedoms in its demand that the people give individual allegiance to an all-powerful state."

The American system is cited by the bank as "a triumph of individual initiative and enterprise," which "has provided economic freedom and a democratic form of Government." Viewing as "the greatest menace to an advancing civilization" the "paternalistic spirit of the Government" which, it notes, "has been greatly aggravated during the past decade," the bank refers to the multitudinous bureaus and commissions engaged, even in peacetime, "in the regulation of industry, agriculture, labor, commerce and finance, as well as a steady invasion into the field of private enterprise," and says:

"We have reached the stage where the individual is encouraged to pack up his troubles and leave them at the doorstep of Uncle Sam. Such a policy not only has a demoralizing effect upon the people, but places a terrific strain on our economy. . . .

"When a Government plays the part of Santa Claus to its people the impression is given that the money comes from some mysterious source, like manna from Heaven. But the hard facts are that a Government creates no wealth or income, but distributes money that it has collected from the taxpayers or from the sale of its securities, which in turn constitutes a mortgage on future income. Paradoxical as it may seem, the more a Government borrows from the people, the greater control it has over their destiny."

"With Government aid, goes Government control," says the bank, "and unless checked there grows up a Frankenstein bureaucracy that saps the vitality of the country." It states that "the danger is not that the American people would deliberately choose the road of regimentation, but rather that a large part of our population may be deluded by believing that the Government can guarantee them security and an abundant life without working for it. The resultant burden of such an undertaking would be so crushing that private enterprise would break down and the Government would take over control."

"In our eagerness for reform and for security," the bank cautions, "let us make sure we do not pull the temple down on our heads and surrender the principles which required centuries of struggle to attain, and are the only ones that can provide us with an abundant life and liberty."

The bank's comments on "The Keystone of Freedom" were contained in its New England Letter, dated June 30, and were set out in full as follows:

"The American system is a triumph of individual initiative and private enterprise. It has provided economic freedom and a democratic form of Government. As a matter of fact, these two have gone hand in hand and will rise or fall together.

"America became known as the land of opportunity, as a refuge for the downtrodden of the old world. Here was established the first great experiment in individual enterprise, under which each person within bounds of the social order is the master of his destiny and has the opportunity to rise to the highest rung of the ladder by sheer force of ability, character, and vision.

"This is well epitomized by our forefathers, who by overcoming starvation and the perils of the wilderness developed the capacity that enabled them to deal with stern reality, and through their energy, daring, and vision laid the foundation for the American system. That this principle continues to operate is shown by the fact that practically all of the heads of large business enterprises in this country worked their way to the top.

"Freedom of enterprise is the keystone of all freedoms as it provides opportunity for the individual to develop according to his capacity and to receive rewards, under competitive conditions, in accordance with his contribution to society. The release of individual energy and initiative under such a constructive stimulus is the key to progress. It is the secret of the unmatched achievement of the American system. Free enterprise provides opportunity for the fullest expression of the human spirit and individuality, when accompanied by a sense of duty and personal responsibility to the social order. Without the freedom of enterprise, the Atlantic Charter Four Freedoms, as well as the others, would disappear virtually overnight. For the only alternative to individual enetrprise is collectivism, the very nature of which destroys all freedoms in its demand that the people give undivided allegiance to an all-powerful State.

"It is highly significant that practically all modern progress has been initiated under private enterprise in liberal democracies. The greatest menace to an advancing civilization is the paternalistic spirit of the Government, which has been greatly aggravated during the past decade. The advance of society and the growing complexity of our economic system have naturally been accompanied by a growth in Government services, such as schools, roads, health, and protection of life and property. But beyond these basic services there have prevailed, even in peacetime, multitudinous bureaus and comissions engaged in the regulation of industry, agricultural labor, commerce, and finance, as well as a steady invasion into the field of private enterprise. We have reached the stage where the individual is encouraged to pack up his troubles and leave them at the doorstep of Uuncle Sam. Such a policy not only has a demoralizing effect upon the people, but places a terrific strain on our economy.

"For the past decade or so we have been granting bounties and subsidies with a lavish hand. We have been virtually heedless of the ways and means whereby the bills will be met. It seems hypocritical to be so solicitous of the welfare of our citizens, particularly the young, and then proceed to impose staggering burdens upon them as well as upon posterity. In contrast, past generations had a sense of social responsibility and not only paid their way, but set aside a large part of their resources and productive effort to fortify the future. In this war emergency there is no escape from the mounting debt, but in our post-war commitments it would be folly to run up bills far beyond our economic capacity.

"When a government plays the part of Santa Claus to its people, the impression is given that the money comes from some mysterious source, like manna from Heaven. But the hard facts are that a government creates no wealth or income, but distributes money that it has collected from the taxpayers or from the sale of its securities which, in turn, constitutes a mortgage on future income. Paradoxical as it may seem, the more a government borrows from the people, the greater control it has over their destiny.

"Every special favor asked of the Government for protection against the vicissitudes of life—whether it be by labor, farmers, businessmen, bankers, or professional groups—imperils the liberty of all the people. With Government aid goes Government control, and unless checked there grows up a Frankenstein bureaucracy that saps the vitality of the country. So while bureaucracy marches forward under the banner of liberty and democracy, it leads the people toward complete regimentation.

"Before taking the road to serfdom we should fully realize what the consequences are of selling our birthright for a mess of pottage. Collectivism or state socialism follows in general a prescribed pattern. The State becomes supreme. To maintain its authority it must control all avenues of thought and expression, including the schools, the church, the press, and the radio—for the people, must be imbued with the unity of ideals and action. There can be no opposition or dissension as this would weaken the power of the State. Hence the Constitution and the Bill of Rights, which guarantee individuals protection against Government abuses, would be scrapped and instead the individual would be compelled to give absolute obedience and allegiance to the State. For a political crime a person could be imprisoned on suspicion, kept in jail or in a concentration camp without a hearing, tried without counsel and sentenced without right of appeal. The individual would be submerged while the hope, faith, energy, and ambition of the people would be symbolized in the 'leader,' who would be the spiritual and political head. His decrees would be enforced by a huge bureaucracy and secret police. The State would have complete charge of the lives of the people, while the children would be the wards of the Government. There would be a compulsory labor front, with no collective bargaining and no free labor unions. Labor questions would be settled by the henchmen of the dictator with neither the employee nor the employer having any choice in the settlement. The teachers would be under oath to teach the new order 'ideology,' while all books that referred to freedom would be burned, and all curricula would be in keeping with the objectives of the State. The church would be under attack, religion ridiculed, and the cross replaced by the State emblem. The home, which is one's castle under Anglo-Saxon law, could be invaded under the slightest pretext. Newspapers and magazines would be under the strict control of the authorities, and would largely contain reports about the State and its officials.

"In return for the surrender of one's liberty, the State would provide employment and subsistence of a sort. But a person would be forced to accept the job offered, and there would not be the opportunity for advancement that has prevailed in this country, nor for one's children to improve their lot. The whole population would be reduced to a common level and life would become a monotonous drudgery. The people would live on their knees in darkness and fear. There would be no tomorrow for the chains would have been forged and the power of resistance crushed. This, then, is the price that is paid when freemen barter their independence for Government bread.

"The danger is not that the American people would deliberately choose the road of regimentation, but rather that a large part of our population may be deluded by the demagogues into believing that the Government can guarantee them security and an abundant life without working for it. The resultant burden of such an undertaking would be so crushing that private enterprise would break down and the Government would take over control.

"Any change in the essentials of our economic system is a backward step toward communism and state socialism. But it is inevitable that when a country has swung to the extreme of state socialism, there is only one direction in which it can go in order to survive, and that is back toward the principles underlying private enterprise. Russia, which embodied all the principles of communism with the establishment of a classless society with its doctrine of provididng for each according to his needs, found this to be true. In her desperation, to stave off wholesale starvation before the war, Russia was compelled to revamp her system and to adopt the method of 'differential rewards,' with the consequence that in the pre-war period there was much more of a spread in wages between the skilled and unskilled workers than in this country. The 'intelligentsia'—the scientifically trained and professional workers—became a privileged class who received better pay, wore better clothes, and had more comforts than the others. So in little more than two decades, after having gone the whole distance of communism, Russia was again headed toward the principles of private enterprise.

"So in our eagerness for reform and for security, let us make sure we do not pull the temple down on our heads and surrender the principles which required centuries of struggle to attain, and are the only ones that can provide us with an abundant life and individual liberty.

"As we face grave and challenging problems, it is encouraging to note that the greatest progress in the world's history—including the foundation of Christianity, the Crusades, the Renaissance, the Discovery of the New World, the Industrial Revolution, and the Golden Age of Literature — occurred in critical times. Daring and resourceful men rose to the occasion and lifted the spirit of the people. They followed their destiny without reckoning the cost, and paved the way for the freedoms we enjoy today.

"In the forefront of our objectives for the post-war period must be freedom of production, for this is the source of jobs for the workers, income for industry and revenue for the Government. Our resources and facilities should be put to the fullest use, and men of enterprise and vision should be given the incentive to embark upon risk-taking ventures so that we may build a dynamic economy, with its accompaniment of economic and personal freedom.

"The lamp of liberty is burning low today as the clock of social progress is turned backward by hundreds of years. The eyes of the world are turned to us for leadership. In dedicating our lives and treasure to mankind for the Four Freedoms of the Atlantic Charter, let us be sure that we preserve our liberties at home, for it would be a futile gesture to carry the torch unless our liberties are secure within our own borders."

League Of Nations Post-War Program For World Trade And Stable Economy In All Nations

In Princeton, N. J., where Woodrow Wilson, the father of the League of Nations, lived before he became President, the same League of Nations is making a plan for another new world, according to Associated Press accounts from Princeton July 1, published in the New York "Times," which further reported as follows regarding the plans:

"There are seven points in this plan for post-war reconstruction:

"(1) Fullest possible use must be made of human and material resources, of individual skill and enterprise, of scientific inventions to maintain in all countries a stable economy and rising living standard.

"(2) No man or woman able and willing to work must be unemployed for longer than is needed to transfer from one occupation to another or to learn a new skill.

"(3) There must be food, clothing, housing and medical care to meet the needs of all classes of the population.

"(4) Individual risk from interruption or reduction of earning power must be distributed by society.

"(5) The liberty of the individual to choose his own occupation must be respected and promoted by equal educational opportunities.

"(6) Trade obstructions are to be progressively removed so that every country has access to raw materials and manufactured goods..

"(7) Modern methods of production must be made available to all peoples through international measures of reconstruction and development and removal of trade barriers.

"The committee that drafted the report, "the transition from war to peace economy," has been studying the means of preventing depressions since January, 1938. Representing the Financial, Economic and International Public Works Committees of the International Labor Organization, the group is called the Delegation on Economic Depressions.

"Under the plan, raw material and heavy goods priorities, food, clothes and fuel rationing would continue in all countries after cessation of hostilities, as would high personal taxes, price ceilings and compulsory savings plans. These controls would be gradually tapered off as production completed the transition from war to peace-time manufacture.

"Only by thus keeping the lid on inflation, the authors insist, can the cycle of boom, inflation and subsequent unemployment which followed the last war be avoided.

"Almost all the ills which beset the world between 1918 and 1939 were due to the first two years after the armistice," said Dr. Alexander Loveday, director of the League Economic and Financial Committees since 1919, in explaining the background of the plan.

"The Allies gave food as charity to the wartorn nations of Europe and let business try to do the rest. Private business based on profit could not undertake reconstruction where profit could not be made. Consequently there was inflation, from which the world never recovered."

"Reconstruction of war-depleted countries would be achieved, according to the plan, by a revolutionary project for internationally equalized currencies and by State loans to be repaid largely through trade. Diversity in exchange values of the various national currencies would be wiped out, so war-impoverished countries could buy raw materials and finished goods in a market where everybody's money would be of equal value.

What international machinery should operate this economy for a depressionless world, the plan does not say. Dr. Loveday said, "It has been worked out with the ideals of the United Nations in mind."

All NY Savings Banks Get FDIC Coverage

Admission of 121 mutual savings banks of New York State to membership in the Federal Deposit Insurance Corporation became effective on July 1, it was announced in a joint statement by Leo T. Crowley, FDIC Chairman, and Elliott V. Bell, State Superintendent of Banks.

At the same time, the only commercial bank of deposit in New York State whose deposits had not been insured previously joined the FDIC. Thus every bank in New York State that accepts deposits is now protected by Federal deposit insurance. Including the savings banks which have about 6,000,000 depositors and customers' balances of $5,750,000,000, more than 13,500,000 deposit accounts, totaling about $31,000,000,000 of deposits, are now insured by FDIC in New York State.

The joint statement further disclosed:

"Hitherto, 11 mutual savings banks have been members of the Federal insurance system, while others have been members of the Mutual Savings Banks Fund, an insurance owned by the New York savings banks.

"In connection with the admission of the New York Savings banks to the FDIC, arrangements are being made for the mutual fund to make contributions to the surplus of some of the savings banks.

"For the time being the mutual fund will be maintained, but no further assessments are to be paid into it, and its insurance liability toward its members will be terminated in view of the FDIC coverage. Ultimate disposition of the fund will be decided by the banks which are its members."

The program under which the New York savings banks have become members of the FDIC calls for the establishment by Mr. Crowley of an advisory council on savings banks. Mr. Crowley announces that he has asked the following persons to serve: Myron S. Short, President of the Savings Association of the State of New York; Philip A. Benson, savings bank member of the New York State Banking Board; Henry C. Sherman, President of the Society for Savings, Cleveland, Ohio; Mark Willcox, President, Beneficial Savings Fund Society, Philadelphia, Pa.; Henry Bruere, President of the Bowery Savings Bank, New York; Walter H. Bennett, Chairman of the Emigrant Industrial Savings Bank, New York; Joseph A. Broderick, President of the East River Savings Bank, New York, and Mr. Bell.

Raymond T. Cahill, formerly First Assistant Commissioner of Federal Housing Administration, has joined FDIC and will serve as Secretary to the Advisory Council.

The one commercial bank which was not a member of the Federal insurance system was the Mechanics and Farmers Bank of Albany.

Plans for admitting the savings banks to the FDIC were reported in our issue of May 20, page 1879.

Advises Keeping Of Saving Accounts In Addition To Buying War Bonds

While urging everyone to buy all the war bonds he can out of pay increases enjoyed through full wartime employment and overtime,, the National Thrift Committee on June 28 told people with savings accounts that they make no contribution to the war effort when they withdraw accumulated savings to buy war bonds. Since savings institutions already have these funds largely invested in government securities, and must sell bonds when bulk savings are withdrawn, the net result is merely a change of bond holders. "Indeed," said J. Robert Stout, Chairman of the Committee, "people should not only keep their savings accounts, but should make every effort to increase them in addition to the war bonds they buy." Mr. Stout added:

"The old idea of savings has not been outmoded by the fact that everyone must buy war bonds; the individual is still under the necessity of providing for his normal needs, which include savings for emergencies. The Government knows that almost everyone regularly saves something out of income in normal times. It knows that with war wages and the scarcity of things to buy, they can continue to do that and still have a large surplus for war bonds. In fact, the Government relies upon this steady stream of savings into savings institutions for much of its borrowing."

Mr. Stout said that a survey the Committee has made shows that practically all savings currently being received by savings institutions are being used by those institutions to purchase government bonds. "So that," he said, "whether the individual buys war bonds, or places his savings in a savings institution that is investing in Government bonds, the same patriotic end is accomplished. The only difference is that savings continue to be available in an emergency, or to meet large anticipated expenditures, whereas if the individual puts all his surplus in war bonds he may, if he needs money, have to cash his bonds before they mature." Continuing Mr. Stout said:

"War bonds, are a long-term investment. They store up excess purchasing power until industry can again offer plenty of consumer goods at normal prices. For that reason workers in war industries, who may reasonably expect temporary unemployment after the war, should save toward living expenses in the post-war readjustment period. Unemployment benefits are not large, and if everyone uses war bonds for living expenses, no one will have money for buying: buying the cars, the radios, the electric equipment and other things that not only represent our high standard of living, but pay the wages that maintain it. Post-war employment and a full pay envelope depend upon what the people do with their war-earned surplus now. They should of course buy war bonds as their contribution to the war and to post-war recovery; but they should continue their regular savings at the same time."

Post-War Fund Needs Stressed By Chairman Girdler Of Republic Steel Corp.

Needed revision in tax and renegotiation legislation which will enable business to accumulate sufficient surplus to see it through the trying post-war period, is pointed out by Chairman Tom M. Girdler and President R. J. Wysor in a letter to stockholders of Republic Steel Corp., July 1.

In this connection the letter stated in part:

"Peace, as well as war, requires enormous outlays of capital.

"One important measure of the ability of American business to turn sharply and face the problems of peace will depend on its ability to finance the demands which peace will bring.

"Plants will have to be reconverted. New equipment and machinery will have to be purchased. New products will have to be taken from the laboratories and placed on the production line. In many cases new markets will have to be investigated.

"To this end, it is essential that orderly, swift procedure be developed by government which will enable business to quickly make this about-face at the proper time.

"Unprecedented but necessary taxation, together with renogotiation and other limitation on legitimate profits have prevented business from accumulating essential reserves. The speed with which government contracts can be terminated and business reimbursed for work done on those contracts will be another vital factor. The constructive solution of these problems will aid mightily in post-war reconstruction. Without sufficient working capital, the reconversion of business from wartime to a peacetime status may be dangerously delayed.

"It may, in fact, be difficult for many corporations to continue dividends, to meet regular commitments for debt retirement, to finance construction of facilities for new products or to maintain normal working forces. Such a situation would be chaotic to stockholders and employees alike and disastrous to the economy of the company."

The letter also pointed out that with 20% of Republic's 70,000 employees now in the military service, the company has broken all traditions and is employing nearly 7,000 women, who are doing men's work in its steel and manufacturing plants. These women are running cranes; working at blast furnaces, open hearth furnaces and in sintering plants; operating machine tools; doing track maintenance work; working in metallurgical laboratories and shipping departments.

Since Jan. 1, 1941, corporation's steel plants have operated at the average monthly rate of 100% of capacity, according to a letter. In addition, each month's production during that period has exceeded the production of the corresponding month in the previous year.

Carson In OPA Rent Post

Price Administrator Prentiss M. Brown announced on June 30 the appointment of Ivan D. Carson as Acting OPA Deputy Administrator for Rents. Mr. Carson was named to succeed Paul A. Porter, who resigned to accept the post of Associate Administrator of the War Food Administration.

Mr. Carson, as director of operations of the OPA rent department since September, 1942, has assisted Mr. Porter in planning and developing the Federal rent program throughout the country.

Canadian Securities

By BRUCE WILLIAMS

The exigencies of war and the abundance of Canadian national resources have led to two vast new projects north of the border. One arose from the necessity of quickly stepping up aluminum supplies for the United Nations.

Near Arvida, Quebec, site of the largest aluminum plant in the world, the Shipshaw development, a great new source of hydro-electric power has been created on the Saguenay River. Its constant delivery of power, when completed next Fall, will be greater than that of Boulder Dam and will be second only to Grand Coulee.

The other development is found in Northwestern Ontario at Steep Rock Lake, where the Seine River is to be diverted and a lake drained in order to uncover a vast bed of one of the richest iron ore deposits on this continent. With the drain on our iron resources continuing at an unprecedented pace, it has been considered necessary to look to other potential sources of ready supply. Consequently the development at Steep Rock has been facilitated by a $5,000,000 R. F. C. loan.

Thus it is demonstrated once more that there is scope in Canada for tremendous expansion which can be assisted and accelerated by our own capital resources. It can only prove to be of ultimate benefit to us to have on our northern border a strong and prosperous neighbor.

In the securities market this week one of the most interesting items of news was the announcement by the Canadian Pacific Railway Company of the call for redemption next September 1 of the outstanding 4½% collateral trust bonds due in 1946. It was also stated that the major portion of the funds necessary to meet the redemption had been provided by a private issue in this country of $18,000,000 of 3% equipment trust certificates which mature serially every six months for 10 years.

This announcement should stimulate interest in the outstanding C. P. R. issues, and the perpetual 4's yielding 4.80% and the 5's of 1954 with a return of 4.50% appear attractive investments, especially when it is appreciated that the Canadian Pacific Railway Company is not just another railroad but an integral part of the Canadian economy.

Direct Dominions have almost entirely recovered their recent losses and the 3s of 1953 regained their previous high level of 104¼. Canadian Nationals continued in steady demand and the 5s of October, 1969, found ready buyers at 115½. As anticipated, now that the offering of bonds from Canada is no longer aggressive, the exaggerated differential between direct Dominions and the guaranteed issues is steadily diminishing.

Provincial and municipal bonds were not in such ready supply as previously and prices further advanced on a smaller turnover. Long-term Manitobas were bid through a 4% yield basis, and British Columbias registered new high levels with the longer maturities quoted at a yield of 3.65%. Nova Scotias were more active than usual and also reached new high levels; the 5s of 1959 and the 4½s of 1961 changed hands at 115½ and 111½, respectively.

As perviously pointed out, long-term New Brunswicks, which still return nearly 4¼%, appear definitely undervalued in comparison with similar Nova Scotia issues. Basically, there would appear to be little to choose between the obligations of these two maritime provinces, and it would not be surprising to see the present wide differential rapidly diminish. As expected, the ample supply of Saskatchewans from Canada has prevented further immediate rise in these bonds, but absorption of offerings kept prices steady. Buying continued in internal Dominions to such an extent that the free exchange rate touched 9 9/16% discount.

It is conceivable that should the Foreign Exchange Control Board be called upon to supply exchange at the official rate in any considerable volume, the question of the exchange level of the Canadian dollar will once more have to be given serious attention. The authorities would have to consider the desirability of selling exchange at 9.09 discount, and then perhaps at a later date having to repurchase the same dollars at par.

Adv. Federation Names Barton And Dawson

At the annual business meeting of the Advertising Federation of America, held in New York City on June 29, Bruce Barton, President of Batten, Barton, Durstine & Osborn, Inc., New York, was elected Chairman of the Board of the Federation, and Joe M. Dawson, President of Tracy-Locke-Dawson, Inc., New York, was elected President.

Clara H. Zillessen, Advertising Manager of the Philadelphia Electric Co., was chosen Secretary, and Robert S. Peare, Manager of the Publicity Department of the General Electric Co., Schenectady, N. Y., was elected Treasurer. Charles E. Murphy was re-elected General Counsel.

Three new Directors were elected as follows: Mr. Barton Gardner Cowles, Jr., Des Moines Iowa, whose interests include newspaper and magazine publishing as well as radio, and Lou R. Maxon, Chairman, Maxon, Inc., Detroit and New York, and Deputy Administrator, Office of Price Administration, Washington.

* * *

The following Directors were re-elected: Henry H. Caswell Treasurer and General Manager W. F. Young, Inc., Springfield Mass.; Herbert E. Fisk, Executive Vice-President, Outdoor Advertising Association of America, Inc., Chicago; Merrill C. Meigs, Vice-President, Hearst Corporation, Chicago; Henry Obermeyer, Assistant Vice-President, Consolidated Edison Co. of New York, Inc.; Allan T. Preyer, Executive Vice-President, Vick Chemical Co of New York; William C. Savage, Advertising Manager, Cincinnati "Post"; Dorothy Shaver, Vice-President, Lord & Taylor, New York.

No Circulars For Navy Personnel Overseas

Albert Goldman, Postmaster of New York, announces that the Navy Department has advised that "advertising and circular matter, mailed at the third-class rate of postage, addressed to the personnel of the Navy, Marine Corps, and Coast Guard, should not be presented for mailing to Navy personnel overseas as such matter would not be dispatched to addressees on and after July 1, this action being taken in the interest of space conservation and in view of the limited value of the circulars to the addressees." Mr. Goldman's announcement adds: "This includes advertising and circular matter addressed to Navy, Marine Corps, or Coast Guard vessels, installations, or stations in care of the Fleet Post Office, at New York, N. Y., or San Francisco, Calif., and to such installations or stations in care of Postmaster, Seattle, Wash., or the Fleet Post Office at Seattle."

Paul Says Public Could Bear $30 Billion Of Personal Taxes—Predicts Higher Income Taxes

Randolph E. Paul, General Counsel of the Treasury Department, said on June 30 that Americans can bear "at least" $30,000,000,000 in personal taxes in 1944 and recommended an increase in personal income taxes and a decrease in exemptions to meet the Nation's revenue needs.

Mr. Paul told the Federal Bar Association of New York, New Jersey and Connecticut at a meeting in Newark, N. J., that "whatever the cost in taxes, it will be a bargain if we prevent inflation," "but warned that "by trying to wish the inflation problem out of existence, we have already wished ourselves into a 25% inflation since the beginning of 1941."

The following regarding his remarks was reported in the Newark "Evening News" of July 1:

Mr. Paul said that for the coming year Americans will have $15 of spending power, after taxes are taken out, for every $10 worth of goods available. In Great Britain, he explained, the ratio is about $12 for $10 worth of goods. The prospective American ratio, which allows only for spending power from current income and ignores past cash accumulations, Paul contended, "is clearly too high for safety."

Discussing arguments for taxes on retail sales, corporation profits and estates and gifts, Paul said these methods of tax collection already were being used to the point "which would trim off all the fat of excess spending power without cutting into the lean of justifiable expenditures and necessary spending.

"Some skeptics question whether taxpayers can bear an increase in personal income tax payments to the Federal Government from the $4,000,000,000 level of the calendar year 1942 to the enormously larger sums which are necessary to hold the anti-inflation line in the calendar year 1944.

"In 1942 personal income after payment of all personal taxes amounted to $109,000,000,000, out of which citizens spent $82,000,000,000 and saved $27,000,000,000. In 1944 income before taxes will clearly exceed $150,000,000,000, and the amount consumers can spend without pushing up prices will be very little if at all above 1942 expenditures.

"The American people thus can bear at least $30,000,000,000 of personal taxes, an increase of $26,000,000,000 over 1942. As income tax rates rise, we should look for ways of protecting taxpayers whose working and living conditions subject them to special burdens.

"Demands for the war effort for supplies and equipment must cut into the civilian supply, and inadequate taxation doesn't offer citizens the privilege of consuming more goods than are in existence; it merely gives them the privilege of joining in a mad scramble for the goods that do exist. By trying to wish the inflation problem out of existence, we have already wished ourselves into a 25% inflation since the beginning of 1941."

Marshall Urges Banks To Plan For Employees' Security Through Pension And Retirement Funds

The prestige that goes with "working in a bank" which formerly made bank employees content with modest salaries and slow promotions is losing its appeal, Harold J. Marshall, Secretary of the New York State Bankers Association, said on July 7.

Mr. Marshall, speaking at the annual meeting of the Southern Secretaries Conference of State Bankers Associations, at Biloxi, Miss., declared that "unless banks, and other lines of business, too, start now to plan for the security of employees and their families they will find themselves paying in taxes for government-disbursed security of a type that will make 'every man a king' seem parsimonious." Mr. Marshall stated:

"For many years, bank workers have been content to accept comparatively low salaries and long hours in exchange for continuous yearly employment, six days a week, 52 weeks a year. But today two factors cast doubt upon banking's ability to continue to hold employees on this basis. The first is that subsidized old age and unemployment plans have radically changed the concept of what constitutes security. The seconl is that most bank employees, on arriving at retirement age nowadays are finding their savings pitifully small."

As a remedial measure Mr. Marshall suggested that every bank should, as soon as possible, institute a pension and retirement fund to provide benefits for old age, disability and death of employees.

As an example of this type of planning, Mr. Marshall cited the New York State Bankers Retirement system, a self-administered trust with a membership of 71 banks, organized in 1939. "A recent survey of employment in the banks of New York State," Mr. Marshall said, "clearly reflected the morale building value of a retirement plan. The survey, which covered 718 commercial banks showed that 71 members of the retirement system actually had a 1942 turn over, aside from the employees in the armed services, which was 51% lower than that in the rest of the state." He added:

"During the last few years, public opinion on retirement provisions has undergone a radical change. A pension fund is no longer thought of in the light of charitable outlay but rather as form of deferred compensation which works out to the advantage of both employer and employee.

"Just as the right of franchise, religious freedom, and freedom of expression and thought have become part of each indivdual's heritage, so, too, is the idea becoming firmly established that security in old age is the right of everyone. Bankers who plan now for the old age of their employees, and who do so by a system whereinunder the employee helps build his own future, therefore, are anticipating this trend and are helping to assure banking of continued high standards of personnel."

Record Naval Bill Signed

President Roosevelt signed on June 26 the record naval appropriation bill providing approximately $33,000,000,000 for the 1944 fiscal year. The measure carried $27,637,222,198 in direct appropriations and approximately $6,000,000,000 in contractual authority, one of the major items being approximately $5,000,000,000 to provide the Navy an additional 27,000 planes.

The House passed the bill originally on May 20 and the Senate on June 7. A conference report adjusting differences in the two versions was adopted by the House on June 17 and by the Senate on June 18, thus completing Congressional action.

Senate passage of the measure was noted in our issue of June 17, page 2286.

A Bank Of International Cooperation: A World RFC

(Continued from first page)

tion. His suggestions are realistic as compared with the visionary, and to this country most costly, ideas advanced by Lord Keynes or Mr. Morgenthau. To my mind Mr. Dewey's article, read in connection with the recent address of Dr. Anderson, should be made the basis of United States international banking policy.

FRANK CIST,
Brewster, Mass.

In the "Commercial and Financial Chronicle" of June 24, Representative Dewey of Illinois proposes that, instead of the "currency stabilization" plans of Messrs. Keynes and Morgenthau, we organize what he calls a "Bank of International Cooperation" for purposes which he sets out. Some drastic international monetary plan is undoubtedly going to be needed after the war because foreign countries, broadly speaking, are then going to lack both gold and credit as a means of paying us for what they need to buy from us. Yet hope of aid of some kind should be held out to them to help convince them that our victory will be in their interests.

Before taking up Mr. Dewey's plan, let us, by way of contrast, examine that of the British. Keynes' British plan involves the creation of drawing accounts in a new international "money" called "bancor" in sums which John H. Williams, in his recent article in "Foreign Affairs," estimates as totaling 30 billion dollars for all countries, of which our share would be five billions. Each participant is compelled to accept "bancor" without limit (the British official paper says: "In the case of credit balances no rigid maximum has been proposed") to the full extent of these drawing accounts, in settlement of all international net indebtedness owing to it. Hence foreign countries, under this plan, could conceivably buy as much as 25 billion dollars more in goods from us than we bought from them, without paying us any interest—except the initial short-term discount—and obligated to repay no part of the loan except as we wiped it out by our own net excess of purchases abroad. The debt could thus remain unpaid and would do so unless and until we bought abroad at a faster rate than hungry foreign nations bought of us. We could, of course, resume the buying of foreign securities. And gold could be sent us as part of our net purchases abroad. But in the long run an international creditor must accept a net inflow of imports or forefit its debt.

Unfortunately the United States does not want a net inflow of imports. As a debtor nation, prior to the last war, we were fully accustomed to the very opposite, a net excess of exports. Such an excess was necessary to pay interest on the debt we owed and to protect our credit. Our tariffs, by shutting out imports, helped maintain this excess. Any reduction of these tariffs did the country harm, injuring both employment and our credit abroad. Experience repeatedly drove home the lesson that lower tariffs were an evil, and that "lesson" was ineredicably fixed in our minds.

Consequently, when a change in our international position to that of heavy net creditor dictated a complete reversal in the direction of this international flow of goods and condemned us to receive a large annual excess of imports we were utterly unprepared mentally and spiritually for the about-face thus required of us and continued to cling stubbornly to the old idea that tariffs were the conventional and proper "protection" for American "employment" and "wage scales" and "standard of living." Secretary Hull's Reciprocal Trade program and the debates on it have done something to educate us but there is as yet no evidence of our sufficient change of heart and we still shut out Argentine beef and levy heavy duties on the goods with which our comrades in arms, the British and Canadians, try to repay us for the war materials we have been sending them. This ignorant conduct by us has done great harm, stripping the world of gold and silver to a serious degree and probably, by contributing to cause the rise of Mussolini and Hitler, helping cause the war.

Well aware of the consequences of our misguided policies in the past and fearing that we might continue them in the future, Lord Keynes has put forward a plan by which, after the war, we will sell foreign countries what they will badly need to buy taking in payment what are virtually generalized claim checks valid only when presented for foreign goods. Representative Dewey's alternative is to sell bankrupt foreign countries our goods, taking in payment—and storing—extraordinary supplies of tin, tungsten, vanadium and other war materials which we might otherwise be short of. A substantially similar proposal has come from Senator Lodge of Massachusetts. Both these congressional ideas insist on our taking the goods now instead of getting claim checks for indefinite future delivery. They propose to stabilize exchange by supplying foreign countries with markets instead of merely with money.

Once this aim is fixed in mind other means of realizing it suggest themselves besides the ones proposed by Messrs. Dewey and Lodge. 1. We can buy more "Virgin Islands" or lease foreign territory, airplane bases in Iceland, for instance. What territory we might desire and other nations might be willing to sell or lease to us cannot be foretold in advance. Whether France would sell us Martinique, or England Bermuda, or Nicaragua another canal zone, or Mexico Lower California, could only be discovered by negotiation. Triangular exchanges are conceivable whereby we were able to purchase Spanish Morocco, for instance, and exchange with Britain for possessions in this hemisphere. 2. Increase the pay and improve the housing of our diplomatic and consular representatives abroad. 3. Encourage foreign travel, possibly establishing some foreign scholarships. 4. Create a fund to buy foreign art treasures, libraries, museum pieces. 5. Restrict the use of certain foreign patents here, thus forcing the production of non-competitive articles abroad. By all these means we could supply foreigners with dollars for the purchase of our exports.

In view of our stubborn refusal to measure up to our national responsibilities as world creditor the possibility of carrying such a program far enough to transform this country back into the status of net international debtor might be seriously considered. Then our tariffs would not cause such tragic mischief.

Should we desire foreign territory under such a program we should probably initiate discussions at once. After Germany and her European allies have been conquered and after major British, French, Dutch Far-Eastern possessions have been recovered from Japan our bargaining position will have been largely dissipated. Our help in the reconquest of France will then scarcely induce the French to sell us Martinique. Not that they or the British will want to deal shabbily with us. But they will be worn out, with their hands full in the reconstruction of a stricken Europe, Japan will seem a long way off and the war with her will then seem primarily our war. Their aid to us in that war will then seem to them enough for them to offer without their being asked to give up their possessions. The time to negotiate is now.

Whether we like it or not we are going to have to aid Europe after this war just as we aided her after the last war. That aid, according to Benjamin Anderson, in the "Commercial and Financial Chronicles" of May 20 and 27, cost us last time about three billion dollars in loans which were never repaid. Once more the need of aid is being urged upon us. Representative Dewey proposes means by which we can get something non-competitive for what we give. That, without going into the vast complexities of the subject, seems to be the heart of his suggestion.

Quotation Sheets And Market Price

(Continued from page 100)

been admitted as evidence.

In the case of Helene Hallgarten vs. Stewart J. Lee, the issue of the market price of two oil royalties was directly raised. This case was tried at the April, 1943, Term of the U. S. District Court for the Southern District of New York. The defendant was represented by the writers.

To establish that market price, the plaintiff, over the defendant's objection, introduced in evidence certain quotation sheets which are nationally distributed.

The defendant proved:

(a) That these sheets contained no record of sales actually made;

(b) That the circulation of the sheets was limited to actual subscribers;

(c) That these sheets were not available to the general public;

(d) That prospective subscribers must be approved by those currently receiving these quotation sheets, and a single black ball rejects;

(e) That the number of dealers actually receiving the sheets in proportion to those operating is small; and

(f) That the number of listings authorized in them depended upon the subscription price.

Based on that showing, Judge James Alger Fee rendered the following decision on the subject of market price:

"The Court finds from the evidence that there is no established market price for the royalties in question.

"That at the time these sales were made to the plaintiff there was no market value for the sales and purchase of these royalties to the general investing public.

"That the proof which has been offered regarding the market quotations indicates that these were quotations among dealers, but these, in the Court's opinion, do not establish a market value even among dealers."

While Judge Fee also decided as dicta that these findings are not binding on the SEC, watching the future tack of "The Commission" in its attempt to regulate the sale of oil royalties, will be interesting.

Market value may also be established by the expert testimony of security dealers. "The Commission" will not find this method easy sailing for there is reason to believe that strong resentment exists against it, on the part of dealers, because of so-called "over-regulation."

Attractive Situations

Blair F. Claybaugh & Co., 72 Wall Street, New York City, members of the Philadelphia Stock Exchange, have prepared interesting circulars on Ft. Dodge, Des Moines & Southern Railway (4s of 1991 and common), Utica & Mohawk Valley Railway (4½s of 1941), and Consolidated Dearborn (common), which the firm believes offer attractive possibilities at current levels. Copies of these circulars may be had upon request from Blair F. Claybaugh & Co.

Can The United States Support A 300 Billion Dollar Debt?

Can, and will, the gigantic post-war Federal debt be redeemed in money of present or pre-war purchasing power, or will it be repudiated directly or indirectly, in whole or in part? Dr. Olin Glenn Saxon, Professor of Economics, Yale University, undertook to supply an answer to this question of primary concern to the entire nation and, at the same time, discussed the vital stake of the millions of investors in war bonds in the methods employed in working out a sound solution of the problem, in an extremely timely article, bearing the above caption, which appeared in the "Chronicle" of May 13.

In line with its suggestion, the "Chronicle" received various comments regarding the views and conclusions set forth by Dr. Saxon in his article. Some of these letters were given in previous issues and others are given herewith:

T. C. WHITEMAN
Templeton, Whiteman & Voorhies, Greenville, Pa.

I have just finished reading a copy of Dr. O. Glenn Saxon's article on "Can United States Support a 300 Billion Dollar Debt." Whether or not we can support such a debt, we are going to have to wrestle with it and any sound thinking on it is helpful.

It is too big for anyone to comprehend but it must be solved and fairly so if we don't bankrupt our country. I have seen in small communities bank failures, the results of which were just sad — old people who had enough set aside to bury them, others whose days of labor were over with a little security set by—and then it was wiped out with no hope of their ever recuperating.

When you think of approximately 50% of the public debt being held by the banks and that repudiation would ruin them all and add to the sad results I spoke of above, disaster to business, employment and everything else, it is not pleasant to contemplate.

Dr. Saxon's article struck me very favorably until I read the paragraph "Lotteries for Debt Retirement." This goes against the morals which have been set up by thousands of years of experience and forgets that the rules to make a great nation were laid down by God Himself and his Divine Son in the Ten Commandments and the Sermon on the Mount * * * No nation in the world has become great and lasted which has forsaken the ways of the Lord.

Lotteries are indulged in not by the well-to-do but by the drivers of the ice wagons, the elevator girls and the colored porters of the hotels. The sellers of the numbers rackets don't work among the well-to-do. They have had for instance in our little town, a man going about every day collecting from one to ten cents.

A lottery impoverishes the people. If you want to see it, spend a week in Havana.

If this thing is handled, it is not going to be handled on any lottery basis. It is going to be handled with a spirit of courage and sacrifice and that only comes in the long run from an obedience of the moral law.

CHARLES N. THOMPSON
Vice-President, The Inn, Buck Hill Falls, Pa.

In one sentence of Olin Glenn Saxon's "Can the United States Support a 300 Billion Dollar Debt?" he seems to cast a stigmatism on the sales tax; it may not have been intended.

Do you realize what a sales tax laid as a substitute for all taxes, but particularly as a relief from real estate tax, would mean as a vehicle to take us out of our National debt and most of our other difficulties?

Just envision a country without a real estate tax—a tax that was conceived thousands of years ago and is as out-moded to meet present-day conditions as would the tallow candle meet present-day needs.

Why should we hold our taxing plan sacred when every other detail that enters into human existence changes?

Do we realize that the real estate tax is truly un-American because it is confiscatory—you, my neighbors, take my property away from me when I am no longer able to pay the tax on my property which I built probably for the betterment of my community?

It has been generally recognized that a country of home-owners is a strong country. The abolition of a real estate tax will increase the number of home-owners in America 100% in ten years.

Why? Because home-owning will have decidedly fewer headaches. Mortgage money will be cheaper because it will be safer. It will be a surer investment because it can be made a first mortgage—today taxes are a first mortgage on every property.

I predict abolition of real estate tax would bring about ten years of unprecedented building, and attendant activities, that would develop a business activity that would very actively melt our three hundred billion responsibility.

Our Reporter's Report

(Continued from page 99)

subject to aproval of the Commission, will be held tomorrow.

The loan, which was the biggest piece of financing undertaken by a railroad in more than two years, was quickly absorbed when offered by bankers.

The Commission, in agreeing to hear Otis & Co., Cleveland bankers, who seek to force competitive bidding, granted that firm the right to intervene in its capacity as a stockholder of the Pennsylvania Railroad.

Redemptions Top New Issues.

The investment market came off second-best from a standpoint of net result judging by the volume of new issues as compared with the total of redemptions in the month.

Calculations show that the month brought a total of $110,000,000 in new issues against $115,000,000 in the same period last year. The largest single issue was that of the Pennsylvania, Ohio & Detroit Railroad mentioned heretofore.

Meanwhile redemptions for the month footed up to a total of $150,000,000, of which utility companies contributed some $96,000,000.

The balance for the half year ended June 30 was a bit more satisfying, showing an aggregate of $674,000,000 of new emissions, well below the 1942 comparable of some $846,000,000, but likewise substantially greater than the six months' redemptions of approximately $357,000,000.

Backlog Builds Up

The current week, starting with the Independence Day holiday, promises to be rather quiet as far as new offerings are concerned. And bankers expect little in the way of renewed activity before the final week of the month.

But the backlog of potential marketings continues to pile up, thus raising hopes of a greater turnover as the summer wears along.

Adding to the already rather substantial roster of proposed operations in registration with the Securities and Exchange Commission, the Utah Power & Light Co., of the Electric Bond & Share group, has filed for $37,000,000 of new first mortgage bonds to mature in 1973. Together with $7,000,000 to be raised through serial bank loans, funds from the bond issue would be used to retire outstanding obligations.

Meanwhile Consolidated Cigar Corporation has registered for $7,000,000 of 10-year 3¼% sinking fund debentures to mature in 1953.

Make Mine Ruppert's

Ever since Jacob Ruppert, New York brewing company, filed registration a fortnight ago covering the proposed sale to the public of $2,744,000 of its 5% debentures, the byword around some investment quarters has been the company's slogan, "Make Mine Ruppert's."

The sale of the foregoing debentures will not represent any new financing by the issuer, but rather will take the form of a secondary distribution, since it will involve dispersal of the debentures now held in their entirety by certain stockholders.

Labor Drafting Laws Appear Possible

United Press reports from Washington on July 5, stated that legislation for the draft of labor to prevent possible collapse of manpower policies appeared to be headed for enactment when Congress returns from its summer recess. It will probably have Administration backing, said the press advices which added:

"It was said in some quarters that a proviso might call for the dismissal of Paul V. McNutt, war manpower chief, who has been under fire from some legislators. Although Mr. McNutt believes a labor draft is "inevitable," he has been experimenting with voluntary methods and pleading for time to prove them.

"The Administration, faced with the recruiting of 3,600,000 men and women for essential war work in the next twelve months, is said to look favorable on the National Service Act drafted by Representative Wadsworth of New York and Senator Austin of Vermont.

"Mr. Wadsworth, who conferred with the President last week, said he had received no definite commitment, but got the impression the Administration was showing 'greatly increased interest' in the draft proposal.

"Officials of the War Manpower Commission, estimating that 2,300,000 persons in non-essential work must be shifted to war jobs and that another 1,300,000 must be added to the labor force, said the worker recruiting problem was becoming increasingly difficult now that the more readily available persons had been absorbed

Willys Overland Offers Speculative Possibilities

The common stock of Willys Overland Motors, Inc., offers better-than-average speculative potentialities, according to a memorandum issued by Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock and Curb Exchanges. Copies of this interesting memorandum may be had from the firm upon request.

Cgo Rapid Transit Co. Appears Interesting

Chicago Rapid Transit Co. offers an interesting situation, according to a brochure being distributed by Leason & Co., Inc., 39 South La Salle Street, Chicago, Ill. Copies of this brochure may be had upon request from Leason & Co.

Situation Looks Good

The current situation in Pittsburgh Terminal Warehouse & Transfer first 5s of 1936 offers interesting possibilities, according to a memorandum issued by Hill Thompson & Co., Inc., 120 Broadway, New York City. Copies of this memorandum may be had from the firm upon request.

Howell Motors Attractive

Common stock of Howell Electric Motors Co. offers interesting possibilities, according to a circular being distributed by Allman Moreland & Co., Penobscott Bldg., Detroit, Mich., members of the Detroit Stock Exchange. Copies of this circular may be had from the firm upon request.

Municipal News & Notes

Crouse, Bennett, Smith & Co. of Detroit announce the release of their periodical Michigan Municipal Bond Quotation Sheet. Harold R. Chapel, manager of the Municipal Bond Department, who furnished the quotations, states that the publication is one of the most complete the firm has published over a long period of time. It shows a brief description of nearly all of the municipal bonds outstanding in the State, including purpose, interest rates, maturities, and the approximate market, and represents on the average about ½ of 1% higher prices or lower yields than shown on their last quotation sheet about a year ago. Copies may be secured free upon request from Crouse, Bennett, Smith & Co., 2780 Penobscott Building, Detroit.

Delaware River Commission Completes Refunding Plan

Final terms of the proposed refinancing by the Delaware River Joint Commission of Pennsylvania and New Jersey of its $35,238,000 of oustanding 4½s, due serially to 1973, have been decided upon by the unit's finance committee. The commission will enter the market with a new issue of $37,000,000 of 30-year term bonds, which will be callable at the end of three years at 105. The call premium will be reduced by 1% at the end of each succeeding five-year period. The commission will offer the new refunding bonds at public sale on July 14.

The coupon rate is to be determined by bidders in multiples of tenths, eighths, or quarters. Delivery date of the new bonds is set for Aug. 2, following which the outstanding 4½s will be called for redemption at a price of 105. The 5-point call premium is to be capitalized as a part of the new issue.

The commission operates and maintains the Delaware River bridge between Camden, N. J., and Philadelphia, Pa.

State Surplus Revenues Used To Retire Debts, Etc.

Examination of measures enacted or proposed in State Legislatures this year and last with regard to surpluses of individual States leads to the conclusion that most of them "seek to combine a cautious foresight toward future perils with the urge to provide relief to the taxpayer or to improve State services," according to a survey of State revenue trends by the Federation of Tax Administrators.

Most States have adopted laws providing for establishment of reserve funds, either for post-war purposes or as a "cushion" against anticipated revenue declines that may endanger debt retirement or other services.

Some have used parts of their surpluses to raise salaries, retire debts or increase aid to municipalities in addition to setting up reserve funds for post-war use. A few have reduced taxes, mainly by increasing income tax exemptions or by reducing retail sales taxes, and two—South Dakota and West Virginia—have repealed their income taxes outright.

Following are brief examples of surpluses in individual States and of measures taken or proposed to relieve the surpluses:

ARKANSAS: Legislature reported to have "dipped so deeply into the general revenue fund (which had a $1,100,000 surplus in January) that the current surplus may be wiped out before the legislature meets in 1945." The legislature appropriated $325,000 for increases in teachers' salaries and $100,000 for increased aid to the State medical school; $148,000 in gasoline and oil inspection fees were transferred from the general fund to counties. Altogether these expenditures may wipe out the surplus during the next biennium.

CALIFORNIA: California had an $80,000,000 general surplus in March, and anticipates a surplus of $100,000,000 by mid-Summer, with a monthly increase of about $2,900,000. The 1943 legislature enacted a $65,000,000 tax reduction program which, among other things cut the sales tax rate from 3 to 2½%, a biennial reduction of $28,000,000 in revenues; granted corporation income and franchise taxpayers a 15% war credit, or a reduction of $10,400,000; increased personal income tax exemptions and granted other exemptions for a reduction of $27,000,000 in revenues. Enacted also were measures freezing $41,000,000 into a war catastrophe reserve and a bond redemption fund, and earmarking $43,000,000 for post-war reconstruction work.

ILLINOIS: Legislature authorized investment of $60,000,000 surplus, as of January, 1943, in war bonds and other U. S. securities.

IOWA: Anticipates a surplus of $14,000,000 by June 30. Nearly $3,000,000 has been frozen for post-war reconstruction. State income payments due in 1943 and 1944 were reduced by 50% this year by the legislature.

MAINE: $2,400,000 general fund surplus estimated for June 30. The expected surplus has been absorbed for the most part already in increased expenditures, especially for social services.

MICHIGAN: Surplus of $50,000,000 expected by July 1. Law to set up post-war reserve fund of $50,000,000 adopted in February, and $20,000,000 of the existing surplus was earmarked for the purpose. State also appropriated $8,000,000 for a post-war State building program.

NEW YORK: $69,000,000 surplus on April 1, end of nine months of the 1943 fiscal year, with surplus of $100,000,000 estimated by July 1. The legislature this year continued for the second year a 25% reduction in State income tax payments, increased tax exemptions, and allowed deductions for medical expenses, insurance premiums and dependency. Further pay increases were granted State employes. Funds were provided for planning and executing post-war programs.

NORTH CAROLINA: $31,000,000 surplus in January. Under 1943 State law a post-war reserve fund was set up to which $20,000,000 of surplus was transferred. Further transfers will be made. Flat pay raises of $25 a month, expected to total more than $6,000,000, were granted school teachers for the next two years.

OKLAHOMA: $5,500,000 surplus for the last fiscal year used to reduce the State debt by taking up bonds held by the school land department.

OREGON: $12,000,000 surplus estimated for July 1, resulting from increases in income and excise taxes. Surplus will be left after $10,000,000 is applied toward canceling State property levies and elementary school taxes, and $5,000,000 is used to set up a school support fund to offset special property levies in school districts. The legislaure reduced taxes on this year's income, both corporation, excise and personal, by 30 to 40%.

TENNESSEE: $2,860,000 general fund surplus estimated for June 20. A "cushion" of $7,700,000 in State sinking fund was established to maintain debt retirement program.

VIRGINIA: $18,600,000 unencumbered general fund surplus anticipated by June 30. Legislature authorized the purchase of Federal securities in a move to liquidate the State debt of $18,000,000.

WASHINGTON: $35,000,000 surplus in March. Legislature granted 30% pay raises to school teachers and, among other things, made several million dollars available to local governmental units to solve war-brought problems.

WEST VIRGINIA: $10,000,000 surplus expected by the end of the current biennium, June 30. Legislature, however, has cut revenues for the next biennium, including repeal of the State personal income tax law.

Other States with surpluses listed in the federation's study include Kansas, $33,960,000 as of January; Maryland, $7,800,000; Mississippi, $10,000,000 expected by June 30; Ohio, $40,000,000 new balance in State treasury in January; Wyoming, $1,600,000 general fund surplus in January.

Cities Establishing Post-War Reserves

The nation's cities are establishing financial reserves for the post-war period by several methods—setting aside cash from surplus funds, investing surplus funds in war bonds, setting up depreciation accounts for replacement of equipment and utility extensions or by paying off debt.

In addition to these methods, according to a survey of 92 cities by the International City Managers' Association, quite a few communities are maintaining present tax rates to build up financial reserves. Austin, Tex., and San Diego, for example, are setting aside tax funds for deferred capital improvements, while Schenectady, N. Y., has levied an additional tax for the same purpose. Only two of the municipalities referred specifically to the possibility of Federal aid.

All except four of the 19 cities

(Continued on page 127)

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

The stocks of representative old-line fire insurance companies have an investment character that places them in a class by themselves. Not only is the business of fire insurance utterly unlike the business of industry in general, but the assets of the business are invested widely throughout the "Wealth of the Nation", its representative companies do business on a nation-wide scale, and furthermore, they are among the oldest corporate business organizations in America.

George Washington was serving his first term as first President of the United States of America when, in the year 1792, the Insurance Company of North America was formed in the City of Philadelphia. In 1799, during the term of John Adams, second President, the Providence Insurance Company was organized, and in 1800, the Washington Insurance Company. The latter company was named in honor of George Washington, whose death had but recently occurred. The two companies combined as Providence-Washington Insurance Company in 1817.

The Hartford Fire Insurance Company, first of the Connecticut companies, was formed two years before the war of 1812; five years later, when James Monroe was President, the Fire Association of Philadelphia began business. Aetna Insurance Company, second of the Connecticut companies, was organized in 1819. By the time Abraham Lincoln was President and the country was in the throes of the Civil War, some 25 fire insurance companies were already in existence and had been doing business for periods varying between eight and 70 years. Agricultural Insurance Company and Fireman's Fund Insurance Company started business in 1863, while the Civil War was in progress.

A large proportion of leading American stock fire insurance companies have their roots deep in the early history of the United States. They have experienced the same recurring cycles of war and peace, depressions and booms, as has the Nation; they have met the test of huge conflagrations, such as those at Chicago, San Francisco, Baltimore, etc., and they have emerged proven, mature, sound and vigorous institutions. Their insurance risks are written in every one of the 48 States, as well as in the District of Columbia, Alaska, Porto Rico, Hawaii, Canada, etc. They protect the homes, churches, factories, institutions and other material wealth of the entire country against loss from fire and other calamities. Their funds are invested in the soundest of the country's enterprises—commercial, industrial, financial, railroad, public utility—as well as in the obligations of States, municipalities and the United States Government. As the Nation has grown and prospered, so have these insurance companies, and as the Nation continues to grow and prosper, so also will these companies.

It seems clear from all this that the stocks of representative fire insurance companies offer a medium investment which is unique, since a carefully selected and diversified list provides the investor with what amounts to in essence, an **Equity in America.**

In order to illustrate this a little more concretely, let us select a small group of leading old-line fire insurance companies, whose management policies show considerable variation, as evidenced by the allocation of their premium writings and the investment of their funds. This situation requires the investor to offset one company against the other, if he wishes to obtain a fair cross-section and a reasonably balanced "equity" in the wealth of America.

ALLOCATION OF NET PREMIUMS WRITTEN—1942

Company—	Fire	Ocean Marine	Motor Vehicle	Inland Nav. & Tr.	Aviation	All Other Classes
Springfield F. & M.	61.5%	5.0%	10.6%	6.5%	0.4%	16.0%
Continental	55.2	20.5	7.0	4.4	0.6	12.3
Home	54.2	14.2	9.6	6.7	0.0	15.3
Fire Association	51.5	24.2	10.9	5.7	0.0	7.7
Agricultural	51.1	23.8	13.9	2.8	0.4	8.0
Aetna	50.7	19.9	8.4	8.4	0.6	12.0
Hartford	49.4	17.2	11.5	7.9	0.3	13.7
North River	48.3	32.9	3.4	3.7	0.6	11.1
Providence-Washington	37.4	34.9	8.5	11.4	0.0	7.8
Ins. of N. A.	33.2	41.7	5.4	12.0	0.2	7.5
Average	49.3%	23.4%	8.9%	7.0%	0.3%	11.1%

CLASSIFICATION OF INVESTED ASSETS—DEC. 31, 1942

Company—	Mortgages	Bonds: U.S.G.	Bonds: Corporate	Bonds: Total	Pref. Stocks	Common Stocks: R.R.	Common Stocks: Util.	Common Stocks: Banks & Ins.	Common Stocks: Industrial	Common Stocks: Total
	%	%	%	%	%	%	%	%	%	%
Springfield F. & M.	3.9	29.6	7.4	43.9	8.0	0.9	2.5	34.1	6.7	44.2
Continental	0.2	11.3	12.3	29.8	13.9	3.4	1.5	31.2	20.0	56.1
Home	4.8	14.1	8.4	30.1	15.3	4.0	2.8	16.0	27.0	49.8
Fire Association	7.1	26.3	1.6	30.8	19.6	1.5	1.3	21.6	18.1	42.5
Agricultural	12.0	19.4	11.5	34.9	15.5	0.2	0.9	17.7	18.8	37.6
Aetna	3.9	25.5	14.1	44.2	6.0	0.4	3.3	41.0	1.2	45.9
Hartford	3.6	29.0	6.1	41.8	12.3	0.5	1.6	37.7	2.5	42.3
North River	0.7	42.6	4.0	50.3	11.8	5.0	2.3	3.8	26.1	37.2
Prov.-Wash.	0.8	25.3	1.3	33.2	15.7	1.8	2.9	22.0	23.6	50.3
Ins. of N. A.	55	10.0	5.6	18.3	24.2	1.9	2.5	29.3	18.3	52.0
Average	4.3	23.3	7.2	35.7	14.2	2.0	2.2	25.4	16.2	45.8

(Continued on page 126)

Investment Trusts

Thinking Out Loud

The "open-end" investment companies had total assets in excess of $509,700,000 at the 1942 year-end. That's only "peanuts" these days. But just relax, chum—a fellow has to learn to crawl before he's ready to get up on his hind legs and go places. The investment trust sponsors who are still around today have had their "trial by fire." They've got something!—something as important to free American investors as life insurance and savings banks. Give them another five years, chum, and you'll see individual companies with larger assets than the entire field has today.

* * *

Good stuff—that series on post-war backlogs in National Securities & Research Corp.'s **Investment Timing** service. The latest one is on the automobile industry and arrives at the following interesting conclusion:

"Though estimates vary widely, a post-war backlog of 11 million cars appears conservative. If the war lasts longer than expected (past 1945), the backlog will, of course, increase. Relatively unfavorable economic trends, which we do not expect, could postpone, spread out, or reduce slightly the demand, but it is difficult to visualize conditions that could prevent relative prosperity in the automotive field. A level of output for several years equal to or higher than previous records is to be expected.

"At present levels, the stocks of neither the automobile nor the auto parts companies appear to discount the favorable post-war prospects. While the major producers offer the surest means of participating in any improvement, unusual speculative opportunities may exist among the shares of the independent makers."

* * *

Bang, bang, bang! How in hell can a dealer get any sleep with that Distributors Group crowd shooting so much sales literature at him every week? The stuff's too good to throw away and with taxes what they are, it's like forcing a man to work for the Government.

* * *

With the increase in popularity of bond funds, we've often wondered how they were stacking up as to performance, particularly inasmuch as direct comparisons are difficult because of the wide quality range in composition of the individual bond portfolios. Now comes Lord, Abbett's **Union Dealer** with the following report on Union Bond Fund C: "From January 1, 1942, to June 22, 1943, the net result has been the best performance . . . of all open-end bond funds." 1942 performance is given as plus 25.7% and 1943 performance to June 22 as plus 34.4%.

". . . For every $3 the average American had left in his pocket (after paying his taxes and his war savings) in the early months of 1941, an extremely prosperous year, he has about $4 left now . . .

"The issue of inflation has been discussed in America almost ad nauseam. But it is possible that the public has been left with the impression that inflation is a species of economic malady which can be cured if the right patent medicine is administered in Washington.

"The plain truth is that no legislative or administrative mechanisms can dam up inflation, if so great a head of liquid purchasing power is allowed to press upon the dam. It has not been put to the American people with sufficient clarity that arguments over the different methods of price-control, wage-control and rationing are pointless until the flood has been abated. The rates of taxation have been increased and they will doubtless be increased again in this year's Tax Bill. Pay-as-you-go may also assist the revenue to catch up with the flood of income. But nothing that is now contemplated will be enough to reduce the problem to manageable dimensions."—From the London "Economist" as quoted in the current issue of Lord Abbett's **Abstracts.**

* * *

"Nearly all normal Americans want to have a stake in American business, want to share in its future growth and the profits that it produces . . . They have seen with their own eyes America in action—their country, their system—rising to the top position in military power, dwarfing the production records of any nation on earth:

"Setting a goal of 90,000 aircraft in 1943, twice the estimated combined output of Germany and Japan.

"Producing twice as much aluminum in a year as the whole world produced in 1940.

"Adding in a few brief years, almost 20 billion dollars of new plant and equipment.

"Employing 62 million persons gainfully against a previous peak of 48 million.

"Building a million tons of fighting ships in a year, expanding the Navy to a million and a half men and 25,000 ships and then setting a new goal for a year from now of two and a half million men and over 40,000 naval vessels of all types.

"Creating a huge synthetic rubber industry that will free us forever from dependence on the natural product.

"Pioneering a world-wide system of air transport carrying millions of pounds of war materials staggering distances in incredible time.

"Building 8 million tons of merchant ships in 1942—more in one year than our total merchant tonnage in 1941 and setting production schedules in 1943 for 20 million tons—enough to make the American Merchant Marine in 1944 twice that of any competitor.

"People see all this and realize that American business so dominant in war cannot fail to be dominant in peace. They want to be a part of it, but many of them lack both the time and the technical training for studying and analyzing and seeking out those industries and companies which on the basis of present earnings and future prospects appear to be most undervalued. Or their funds do not permit of sufficient diversification in their investments."—From the Parker Corporation **Letter.**

Incorporated Investors now has net assets of approximately $48,000,000 owned by about 27,000 stockholders.

* * *

With salaries frozen and expenses increasing, Keystone Corporation in a recent issue of **Keynotes** concludes that "every investor should:

"1. Invest idle cash.

"2. Replace non-paying securities with paying issues.

"3. Check all paying securities to increase income, without increasing risk, wherever possible."

Dividends

Keystone Custodian Funds, Inc.—A dividend of 95 cents payable on Series "B3" and a dividend of 8 cents payable on Series "S4" on July 15, 1943, to stock of record June 30. Of the Series "B3" dividend, 32 cents is out of realized profits.

Massachusetts Investors Trust—A dividend of 22 cents per share payable July 20 to shareholders of record June 30, 1943.

Clothing Stock Looks Good

An interesting descriptive circular on Fashion Park, Inc., which the firm believes offers attractive possibilities, has been prepared for distribution by Simons, Linburn & Co., 25 Broad Street, New York City, members of the New York Stock Exchange. Copies of this circular may be had from Simons, Linburn & Co. upon request.

Twentieth Century Preferred Stock Offered At 100

An underwriting group headed by Lehman Brothers and Hayden, Stone & Co., and including Blyth & Co., Inc., offered July 7 a new issue of 100,000 shares of Twentieth-Century-Fox Film Corp. prior preferred stock (no par), $4.50 dividend cumulative, at $100 per share.

Other members of the underwriting syndicate include: Baker, Weeks & Harden; A. G. Becker & Co., Inc.; Eastman, Dillon & Co.; Glore, Forgan & Co.; Goldman, Sachs & Co.; Hallgarten & Co.; Harriman Ripley & Co., Inc.; Hemphill, Noyes & Co.; Hornblower & Weeks; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Lazard Freres & Co.; Carl M. Loeb, Rhoades & Co.; Merrill Lynch, Pierce Fenner & Beane; Smith, Barney & Co. Stone & Webster and Blogett, Inc.; Union Securities Corp.; Wertheim & Co., and White, Weld & Co.

Net proceeds from the sale of the stock, together with other cash funds of the corporation, will be used to purchase from The Chase National Bank of the City of New York, at an aggregate price of $13,000,000, 1,044 shares of the outstanding capital stock of National Theatres Corp. These shares represent 58% of National's outstanding capital stock, the remaining 42% of which is already owned by Twentieth Century-Fox.

Upon completion of the present financing, Twentieth Century-Fox's outstanding capitalization will consist of: 100,000 shares of prior preferred stock; 908,681 6-12 shares of preferred stock, $1.50 dividend cumulative, convertible, without par value; and 1,742,000-23-24 shares of no par common stock. The company has no funded debt.

The prior preferred stock is redeemable at $104 per share on or prior to July 1, 1945; thereafter, and on or prior to July 1, 1947 at $103 per share; thereafter, and on or prior to July 1, 1949 at $102 per share; thereafter, and on or prior to July 1, 1951 at $101 per share; and, thereafter at $100 per share, plus accrued dividends in each case. The prior preferred stock is redeemable for retirement fund at $100 per share, plus accrued dividends.

On or before the 120th day after the close of the corporation's 1943 fiscal year, and on or before the corresponding day after the close of each fiscal year thereafter, if any shares of prior preferred stock are outstanding, the corporation shall set apart out of surplus, for the retirement of the stock a prior preferred stock retirement fund. This sum for the 1943 fiscal year shall be $150,000 or 2% of the consolidated net earnings for that fiscal year, whichever is greater, but not over $250,000; and for any subsequent fiscal year shall be $300,000 or 4% of consolidated net earnings for such fiscal year, whichever is greater, but not over $500,000.

NASD Membership Up; First Rise Since 1941

Membership in the National Association of Securities Dealers, Inc., in June showed the first increase in nearly two years, Wallace H. Fulton, Executive Director, announced today. As of June 30, NASD had 2,228 members against 2,219 on May 30 with fifteen applications for membership pending on the former date.

"The result was the first increase in the total of our members since August, 1941," Mr. Fulton said. On Aug. 30, 1941, NASD had 2,952 members. At its peak,

DIVIDEND NOTICES

'Reverse' Lend-Lease On British Ships

The Lend-Lease Administration stated on July 2 that at the end of 1942 British military and commercial services in various war zones had made a total of 87 vessels of 422,000 deadweight tons available to American authorities.

In Washington advices of July 2 to the New York "Times," it was also stated:

American warships and auxiliaries in British operational areas, it was asserted, received treatment on exactly the same basis as that received by Royal Navy ships and such services were given free of charge.

In another example of "reverse" lend-lease, it was said that the British Ministry of Transport had advanced several million pounds sterling in the United Kingdom to the War Shipping Administration to meet disbursements by United States ships at British ports. Several million pounds sterling have been likewise advanced for costs of transporting American cargoes in British-owned commercially operated vessels.

N. Y. Title and Mtge. Ctfs. Series C-2 Interesting

Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York City, have prepared an analysis of series C-2 first mortgage certificates originally issued and guaranteed by New York Title & Mortgage Co.

Copies of this analysis may be had from Seligman, Lubetkin & Co. upon request.

Post-War Prospects Of Airline Good

John J. O'Brien & Co., 231 South La Salle Street, Chicago, Ill., members of the Chicago Stock Exchange, have prepared a recent analysis of Transcontinental & Western Air, Inc., discussing the interesting post-war prospects of the company. Copies of the circular may be had from John J. O'Brien & Co. upon request.

Tomorrow's Markets Walter Whyte Says—

Group divergency in market now becoming intensified. Air transports, for example, show toppiness while tobaccos and airplane stocks show revival signs. Clue to next move will come from weak issues. Market on verge of either new advance or sharp break.

By WALTER WHYTE

If there is anything certain about the market it is its intensification of divergent trends. For not only do certain groups act better than others, but certain stocks within the groups give a better performance than others in the group. It is therefore impossible to generalize. One can't say, for instance, that the market "acts well" any more than one can say the war is going well. For, just as there are many fronts to the war—the home front—as well as the many battlefields, so are there many stocks which make up the market which don't act well at all.

* * *

During the week just past the German offensive has begun in eastern Europe, and on the other side of the world our Navy has again met, and so far as we now know, defeated the Japs.

* * *

Whether or not this news will have an effect on the market is open to doubt. For up to now practically all the war news has found the market strangely lethargic. But if the actual conflicts find little reflection in security prices the effect of this news on the home front and its corollary, economic ramifications, will be felt in the market place.

* * *

Technically, the action of the market, in the past seven days, has come up with several interesting clues. The sum total of these, however, tend to point to both the up and the down side. Unanimity is one thing the current market does not possess. For example, the best-acting groups are the air transport stocks and the agricultural equipment issues. Yet by the same token these are the groups which should be closely watched for a reversal in trend.

* * *

The air transport issues are now getting their almost daily shot of news. As each piece of news hits the public prints the stocks affected rise a bit more. But, like tired horses, they are beginning to show signs of weariness that no amount of news whipping may help. Eastern Airlines, now about 42, can rise to about 45-46, but at that level it will meet enough obstacles to stop it. TWA, now at 24, can by the same token go to 26-27. But there again it will run into stock.

* * *

In the farm equipments, Oliver Farm Equipment is by far the best of the group. It is wise to watch this one carefully. If it starts to turn down you can almost be certain the rest of the group is through for the time being.

* * *

A group which has not attracted a following is the tobaccos. The best performer in the group is Reynolds Tobacco B." I suggest buying this one between 30½ and 31½, with a stop at 29½.

* * *

The airplane manufacturing group has been one of the poorest performers for some time. The reason is unimportant. Anyway, it doesn't matter to the market purist. But now this long-neglected group is beginning to show signs of firmness. Watch for better action from United Aircraft—the positive stock of the group. It has offerings from 38 to 40. If it takes these on volume it will be a good sign. Another stock, not strictly an airplane issue but closely related to the group, is Sperry, which has been going down since early March. It's now about 30. As a speculation at the market, with a stop at 29, it has much to recommend it. But if it breaks 29 you'd better jump for it can whizz down to the lower 20's without even half trying. Incidentally, if the airplane manufacturing stocks do not hold at present levels you can be reasonably certain that there is something radically wrong with the industry.

* * *

Leaving groups alone and applying market savvy to individual stocks, the following give a better than average performance. Electric-Auto-Lite buy at market, with a stop at 37. Fairbanks Morse, buy at market with a stop at 37. Flintkote, but at market, with a stop at 19½.

* * *

On the other side of the picture the following stocks look dangerous. They may even stop advances in other stocks and carry the whole market down with them. They are General Motors, which runs into trouble from 56 to 57. Goodrich, 41 to 42; International Harvester, 73-75; Jones & Laughlin, 26-27; Loew's, 62-63; Lone Star Cement, 51-52; Montgomery Ward, 48½-49½, and Timken Roller Bearing, 50-51. If most of these don't even try to penetrate their offerings it may mean the end of the whole phase. Of this list, however, the following two show nearby support. These are Loew's at 58 and Lone Star Cement at 48.

* * *

The enigma of the whole market is the steels. U. S. Steel, for example, meets buying just under 55 and better than average selling at 58. Volume in either direction can be an important sign. Of all the steels Youngstown Sheet and Tube stands out as the best potential performer. From 39 (where it is now) to 40 it should run into volume. Failure to take this volume and advance would be another bear signal not only for the stock but the entire market.

* * *

You still hold three stocks: National Distillers, with a stop at 30½; Newport Industries, with a stop at 14, and Raybestos Manhattan, with a stop at 28. Suggest you get out of Raybestos and hold the other two. These, in addition to the stocks mentioned above, will give you a substantial position. But don't forget the stops. The market is on the verge of either another important advance or the end of the first phase, which may be followed by a sharp break. So guard yourself.

* * *

More next Thursday.

—Walter Whyte

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

"St. Paul's" vs. "MOPS"

A most interesting comparative study of the relative merits of "St. Paul's" and "MOPS" has been compiled by W. Wendell Reuss, partner in McLaughlin, Baird & Reuss, One Wall St., New York City, members of the New York Stock Exchange. Copies of the study, giving the author's reasons for his present preference for "MOP" securities may be had upon request from McLaughlin, Baird & Reuss.

Review New ICC Plan For Denver & Rio Grande

The new ICC plan for the reorganization of the Denver & Rio Grande Western Ry. offers interesting considerations, according to a review of the plan and its effect on securities of the railway prepared by Vilas & Hickey, 49 Wall Street, New York City. Copies of this interesting review may be had upon request from Vilas & Hickey.

Registration Revoked

The Securities and Exchange Commission announces that the application of Ernest S. Price, doing business as E. S. Price and Company, 1010 Vermont Avenue, N. W., Washington, D. C., for withdrawal of their broker-dealer registration has been denied. As a result of findings of the Commission, the broker-dealer registration has been revoked.

Real Estate Securities

S. W. STRAUS BONDS

The Return On One Issue Could Have Amounted To More Than 100% Per Annum Over The Last 10 Years!

We noticed yesterday that the entire issue of an S. W. Straus Bond known as "Butler Hall" was called and paid off at par. Yet, only 10 years ago, this same bond was 16% bid, offered at 18%.

We wondered if this was just an isolated case of Straus bonds being paid off and found several interesting facts:

Ten years ago, another of their bonds known as "Marcy Hotel" was 15% bid, offered at 17%. This year, those bondholders who did not wish to extend the maturity of their bonds received par. In addition, this bond has continually paid its 6% fixed interest requirement. Let us assume you were fortunate enough to have purchased one of these bonds at 15% in 1933. Your investment would have been $150 for the $1,000 bond. Over the ten year period you would have received $600 in interest and this year $1,000 in principal. Thus, in ten years you would have made a total of $1,600 on your $150 investment, or more that 100% per annum—and this bond was one of those so-called "dangerous leasehold bond issues."

Among other S. W. Straus real estate bond issues we found called at or above par were the following: (Figures in parenthesis after each issue indicate the bid and asked prices of the bond ten years ago.)

Chrysler Building (36½-38); Flatbush Industrial Building (16½-18); Freeport Theatre (40-45); Finch-Lenox School (14-17); Hotel Syracuse (15-18).

Some other Straus issues were finally settled out at below par, but at considerably higher prices than the low bids of ten years ago. As an example, their Sutton Place Apartments paid off at 83%—were only 15% bid.

Just as remarkable, is a comparison of today's prices of some of their issues compared with the prices of ten years ago, such as—Albany Metropolitan Hotel 86% against 9%; Ludwig Baumann 93% against 33%; Circle Theatre 75% against 17%; Lefcourt Manhattan Building 58% against 17½% and London Terrace Apartments 39% against 9%. Changes appear as good in a great many of their issues, but we have tried to give you a cross index by choosing an example of each type of their bonds, i.e. a hotel, a warehouse, a theatre, a commercial building and an apartment house.

What has caused this cyclical swing in the prices of these real estate bonds? Are their prospects good for further price increases, or will they react again? Well, let us look into the reason for their original decline:

S. W. Straus & Co., like other large underwriters, could not have all good issues. It was inevitable that some of their loans had to go wrong. But somehow or other it was unfashionable in those days for a real estate security underwriting firm to have defaults in their issues. You remember the S. W. Straus slogan, "44 years without loss to any investor." According to a report of June, 1936, compiled by the Securities & Exchange Commission, "investors suffered no loss because interest and principal payments due on the bonds would be met from the pockets of the underwriters if mortgagors defaulted." Apparently investors were not interested where their interest was coming from. A bond was judged as a "Straus" issue not from the security behind the bond. A total disregard for all other criteria of investment worth was prevalent.

When the collapse of real estate values took place in 1930 and 1931 following the 1929 stock market crash, and the S. W. Straus Company could no longer dig into their own pockets to protect their customers from taking any loss on securities purchased through them, a great many defaults took place.

Again the underwriter's name, S. W. Straus & Company, became the distinguishing mark of the real estate bond. Little else counted. The public sold their bonds promiscuously. Good as well as bad issues declined in price. The selling response of investors became even more illogical than when they purchased the bonds.

Now what is the situation in these securities today? During the last decade real estate has gone through one of its most severe depressions. The bonds we are buying today existed through this era and are not new issues, except that they may have been modified or re-issued through reorganization. We can now ascer-

(Continued on page 126)

Spain To Pay On U. S. Commercial Debts

American creditors having arrears of commercial indebtedness in Spain and certain Spanish possessions for shipments prior to July 18, 1936 are being advised by the National Foreign Trade Council, Inc., of which E. P. Thomas is President, that settlement will be made of a substantial percentage of the dollar value of such outstanding commercial debts. The Council along with representatives of the Spanish American Advisory Committee, has been negotiating for some time regarding this settlement and has now received authorization of the Spanish Foreign Exchange Institute to announce that an agreement has been reached for supplying amounts in dollars destined to the payment of bona fide accounts resulting from merchandise shipments and incidental expenses, by individuals and organizations of the United States.

The announcement in the matter made available July 7 further stated:

"The plan contemplates immediate payment of small accounts and a proportional distribution against larger accounts. All claims with necessary supporting documents should be registered with the Council before Aug. 23.

"It is contemplated that dollar exchange in the amount of approximately $3,000,000 now available, will be released by the Spanish Foreign Exchange Institute against provision of pesetas by Spanish debtors for payment or part payment of approved registered accounts.

"The accounts which may be registered include bona fide accounts of American creditors, owing from debtors in the Spanish Peninsula, Balearics, Canary Islands, Ceuta, Melilla, Spanish protectorate in Morocco and Spanish colonies.

"The Council will forward to The Institute will examine these registered with it prior to Aug. 23. The Institue will examine these accounts and will thereafter, upon provision of pesetas by the debtors, authorize the release of dollars to cover full payment of small accounts not in excess of a maximum to be set by the Institute and pro rata payments of larger accounts, these pro rata payments to be based on the total dollars available after determining the aggregate amount of small accounts to be paid. According to Mr. Thomas, it is the intention of the Council, in cooperation with the Spanish American Advisory Committee, to negotiate for release of further instalments of dollar exchange to be applied to registered accounts not paid in full by the release of dollar exchange now contemplated."

Plans for this payment were noted in these columns June 17, page 2288.

Kellett Aircraft Offers Interesting Situation

The situation in Kellett Aircraft Corp., pioneer manufacturer of the "Helicopter and Giro" rotary-wing aircraft, offers attractive possibilities at the present time, according to an interesting circular issued by R. F. Gladwin & Co., 115 Broadway, New York City. Copies of this circular may be had from R. F. Gladwin & Co. upon request.

Seaboard Reorganization Possibilities Interesting

L. H. Rothchild & Co., 120 Broadway, New York City, have prepared an interesting study of the significance of the Special Master's plan for the reorganization of Seaboard Air Line, pointing out various exchanges which the firm believes might profitably be made in the Seaboard securities. Copies of this interesting study may be had upon request from L. H. Rothchild & Co.

Name Now Mixter & Co.

BOSTON, MASS.—The firm name of Chandler Hovey & Co. will be changed to Mixter & Co., effective today. The firm, which holds membership in the New York and Boston Stock Exchanges, and is an associate member of the New York Curb Exchange, is located at 82 Devonshire Street. Partners are Samuel Mixter, who holds the Exchange memberships; C. Terry Collens, Wellington Wells, Jr., and George H. Lyman Jr.

House Group Orders Study Of Individual Excess-Profits Tax

The House Ways and Means Committee announced on July 6 that it will begin work Sept. 8 on general revenue legislation and, at the same time, asked that studies be made of an excess profits tax on individuals. The Treasury's goal is $12,000,000,000 in revenue annually above present collections.

In Associated Press Washington advices, July 6, it was stated:

In a special session as a Congressional recess neared, the tax-framing committee:

1. Requested the committee tax staff and the Treasury to suggest alternative means of raising additional revenue, with specific instructions "to study and report on the feasibility of raising additional revenue by means of an individual excess profits tax."

2. Agreed there would be no retroactive taxes—that the main features of the new tax bill would not become effective before Jan. 1, 1944.

Chairman Robert L. Doughton, Democrat of North Carolina, said the 15 Democrats and 10 Republicans on the committee agreed to approach the problem of increasing revenues "on a non-partisan basis"—in contrast to the recent bitter party differences over pay-as-you-go legislation.

Public hearings on the new general tax measure, increasing the present revenues—highest on record—will begin some time in September.

The committee action came shortly after Treasury officials disclosed they were studying means of applying the principle of excess profits taxes—now levied against corporations—to persons whose incomes have been swollen because of the war. The plan probably will embody a broadening of the present system of basic income tax exemptions to include consideration of "normal" income.

Result Of Treasury Bill Offering

Secretary of the Treasury Morgenthau announced on July 2 that the tenders for $1,000,000,000, or thereabouts, of 92-day Treasury bills to be dated July 7 and to mature Oct. 7, 1943, which were offered on June 30, 1943, were opened at the Federal Reserve Bank on July 2.

The details of this issue are as follows:

Total applied for—$1,175,078,000.

Total accepted—$1,001,757,000 (includes $39,993,000 entered on a fixed-price basis at 99.905 and accepted in full).

Range of accepted bids:

High—99.910 Equivalent rate of discount approximately 0.352% per annum.

Low—99.904 Equivalent rate of discount approximately 0.376% per annum.

Average—99.904+ Equivalent rate of discount approximately 0.375% per annum.

(93% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on July 7 in amount of $804,717,000.

Bank & Insurance Stocks

(Continued from page 123)

Careful scrutiny of these two tabulations indicates that investment in only one insurance stock does not provide a truly representative cross-section and that if the investor wishes his investment to approximate, in essence, an **Equity in America** he must select and diversify. For example, in the matter of premium writings, only one-third of the 1942 premium business of Insurance Company of North America was in fire risks, whereas nearly two-thirds of Springfield's were in that category. On the other hand, 41.7% of North America's business was in ocean marine versus only 5.0% for Springfield. North River had only 3.4% in motor vehicle compared with 13.9% for Agricultural; and so forth.

In the matter of investments, similar wide differences in investment policy will be found. For example, North River has 42.6% of its invested assets in U. S. Government bonds, whereas Insurance of North America has only 10.0%. In total common stocks, North River has only 37.2% compared with 56.1% for Continental. With regard to industrial common stocks, Aetna has only 1.2% and Hartford 2.5%, against 27.0% for Home. It will be noted that all companies have a very smal percentage in the common stocks of rails and utilities.

Shakespeare had the right idea in "The Merchant of Venice," as follows:

"My ventures are not in one bottom trusted,
Nor to one place; nor is my whole estate,
Upon the fortune of this present year."

Real Estate Securities

(Continued from page 125)

tain how they reacted in good times and bad. Material facts in connection with the actual earnings of the properties securing various issues are obtainable. Issues have been reorganized on a basis where in most cases their interest requirements can be met. Amortization of the loans is taking place, reducing the issues to where the bonds become more and more valuable. Lack of new construction has absorbed a great many of the vacancies of various properties. Earnings of many hotels have increased tremendously. Reduction of assessments, to a measure in some cases, have offset wage increases by savings in taxes. Reputable dealers in real estate securities furnish their customers with pertinent facts concerning the security behind the bonds they sell them. These dealers have a wide list of issues to choose from, rather than to have to concentrate on a bond an underwriting firm had assumed and can, therefore, be unbiased.

Since the inauguration of this column in September, 1942, many of the real estate issues discussed have considerably improved in price. We still feel that there are many real estate issues, still under-valued and proper care in their selection should be profitable.

Domestic Air Carriers Comparison Of Interest

Ward & Co., 120 Broadway, New York City, has prepared a tabulated comparison of 20 domestic air lines showing official figures and statistics of the three main sources of revenue per month and per year, indicating the progress of the various lines. Copies of this interesting table may be had upon request from Ward & Co. Ask for tabulation No. 301.

Calendar of New Security Flotations

OFFERINGS

TWENTIETH CENTURY-FOX FILM CORP.

Twentieth Century-Fox Film Corp. has filed a registration statement for 100,000 shares of prior preferred cumulative stock, without par value. The dividend rate will be supplied by amendment.

Address—444 West 56th Street, New York City.

Business—Corporation is both an operating and holding company, having 36 active subsidiaries, 21 of which are foreign companies and all but two of which are wholly-owned. Engaged principally in the production and distribution of motion pictures of all kinds.

Underwriting—The underwriting group will be headed by Lehman Brothers, Blyth & Co., Inc. and Hayden, Stone & Co., all of New York.

Offering—Price to public will be supplied by amendment.

Proceeds—Net proceeds, together with other cash funds of the corporation sufficient to aggregate $13,000,000, will be used to purchase 1,044 shares of the outstanding capital stock of National Theatres Corporation, representing 58% of the outstanding capital stock of that corporation, the remaining 42% of which is already owned by Twentieth Century. The stock proposed to be purchased is now owned by the Chase National Bank of New York which has entered into an agreement with Twentieth Century under which the latter acquired the right to purchase such stock for the sum of $13,000,000. It is expected that the option will be exercised and the shares of National will be purchased concurrently with the delivery of the prior preferred stock to the underwriters. The statement says that in event this financing may be delayed or the management may deem it advisable to exercise the option prior to the consummation of the financing, the corporation may borrow $10,000,000 from certain banks in New York, and the proceeds to be received from the sale of stock may be used to repay such indebtedness.

Registration Statement No. 2-5158. Form A-2 (6-22-43).

Offered—100,000 shares of prior preferred stock (no par), $4.50 dividend cumulative, offered at $100 per share on July 7 by Lehman Brothers, Hayden, Stone & Co., Blyth & Co., Inc. and associates.

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930(b).

Offerings will rarely be made before the day following.

THURSDAY, JULY 8

UNITED WHOLESALE DRUGGISTS OF FORTH WORTH, INC.

United Wholesale Druggists of Forth Worth, Inc., has filed a registration statement for 5,000 shares of common stock, no par value.

Address—100 West Tenth Street, Wilmington, Del.

Business—Company is a new corporation organized March 25, 1943. It will engage in the business of selling drug store merchandise, other than that manufactured by United Drug Co. to its stockholders who will be the distributors of products of United Drug Co. While the corporation is being sponsored by United Drug Co., no control over its operations will be exercised by that company.

Offering—Common stock will be offered to retail druggists at $50 per share.

Underwriting — No underwriters are named.

Proceeds—Proceeds from sale of common stock will furnish to the company both operating capital and security.

Registration Statement No. 2-5157. Form A-2. (6-19-43).

Amendment filed June 30, 1943, to defer effective date.

TUESDAY, JULY 13

COMMUNITY PUBLIC SERVICE CO.

Community Public Service Co. has filed registration statement for $6,850,000 first mortgage bonds, 3⅜% series due 1973.

Address—408 West Seventh Street, Fort Worth, Texas.

Business — Engaged primarily in the manufacture and purchase, distribution and sale of electricity and ice, purchase, production, distribution and sale of natural gas, and production, distribution and sale of water.

Offering—Price to public will be supplied by amendment.

Underwriting—Central Republic Co., Inc., Chicago, is named principal underwriter. Others will be supplied by amendment.

Proceeds—Proceeds from sale of the bonds, together with other funds of the company, will be used to redeem its outstanding first mortgage bonds which will require, exclusive of accrued interest, $7,-02,700. This first mortgage bonds comprise $6,454,000 face amount of 4% series due 1964 redeemable at 105, plus accrued interest from March 1, 1943, to date of redemption, and $400,000 face amount of % bonds, second series due 1964, redeemable at 106½ plus accrued interest from March 1, 1943, to date of redemption.

Registration Statement No. 2-5159. Form -1. (6-24-43).

WEDNESDAY, JULY 14

TWENTIETH CENTURY-FOX FILM CORPORATION

Twentieth-Century-Fox Film Corporation has filed a registration statement for 5,715 shares of preferred stock, $1.50 dividend cumulative, convertible, without par value. The shares are already issued and outstanding.

Address—444 West 56th Street, New York City.

Business—Corporation and its subsidiaries are engaged principally in the production and distribution of motion pictures of all kinds, including features, short subjects and newsreels, in various parts of the world, but primarily in the United States.

Underwriting—The shares of preferred stock registered are outstanding shares owned by the Chase National Bank of the City of New York. The names of the several underwriters who will purchase the shares will be supplied by amendment, together with the amounts to be purchased by each. The purchase agreement and price to be paid for the stock also will be covered by amendment.

Offering—Offering price to the public will be supplied by amendment.

Proceeds—Proceeds will go to the selling stockholder. The corporation will not receive any proceeds from the sale of the stock.

Registration Statement No. 2-5160. Form A-2. (6-25-43).

JACOB RUPPERT

Jacob Ruppert, a corporation, has filed a registration statement for $2,744,000 5% sinking fund debentures, due July 1, 1950.

Address—1639 Third Avenue, New York City.

Business—Engaged in the business of brewing and selling fermented malt liquors. Its principal product is lager beer sold under the name of "Ruppert."

Underwriting—First Boston Corp. of New York is principal underwriter. Names of other underwriters will be named by amendment.

Offering—Price to the public will be supplied by amendment. The securities are now outstanding and will be sold by six holders as follows: Estate of Jacob Ruppert, George E. Ruppert, Amanda E. Silleck, Manufacturers Trust Co., J. Ruppert Schalk and Anna C. A. Dunn. The company has now outstanding $2,996,000 face amount of 10-year 5% debentures, due July 1, 1950. It is proposed to modify the debentures without, however, extending the date of maturity or changing the interest rate thereof, changing the designation to 5% sinking fund debentures and providing other covenants. $252,000 face amount of the debentures, as modified, are to be retained by the holders.

Proceeds—The company is not directly to receive any of the proceeds from the sale of the securities. George E. Ruppert and Amanda E. Silleck have each agreed to apply the proceeds to be received by them, to the extent necessary, to repayment in full of their respective debts to the company, aggregating $766,229 face amount, plus interest from July 1, 1943, ($876,291 principal and interest at March 31, 1943.) The company proposes to add the proceeds so received to its general corporate funds.

Registration Statement No. 2-5161. Form A-2. (6-25-43).

SOUTH CAROLINA ELECTRIC & GAS CO.

South Carolina Electric & Gas Co. has filed a registration statement for $20,000,000 first mortgage bonds, series due 1973. Interest rate will be supplied by amendment.

Address—328 Main Street, Columbia, S. C.

Business—Is a public utility operating in South Carolina.

Underwriting—Bonds will be offered for sale at competitive bidding. Names of underwriters will be supplied by amendment.

Offering—Price to public will be supplied by amendment.

Proceeds—Will be applied principally to the redemption at 102¾ of the face amount of $8,361,500 of Broad River Power Co. first and refunding mortgage gold bonds, series A, due Sept. 1, 1954; to the redemption at 105 of the face amount of $1,359,000 of Parr Shoals Power Co. first mortgage 5% sinking fund gold bonds, due April 1, 1952, and to the redemption at 105 of the face amount of $10,213,300 of Lexington Water Power Co. first mortgage 5% gold bonds, series due 1968.

Registration Statement No. 2-5162. Form A-2. (6-25-43).

SATURDAY, JULY 17

NATIONAL SECURITIES & RESEARCH CORPORATION

National Securities & Research Corporation has filed a registration statement for 40,716 shares in First Mutual Trust Fund.

Address—120 Broadway, New York City.

Business—Investment trust.

Underwriter—National Securities & Research Corporation, sponsor.

Offering—Will be continuous and the offering price will vary with the value of a share, which value in turn will vary with the value of the underlying securities in the trust fund.

Proceeds—For investment.

Registration Statement No. 2-5163. Form C-1. (6-28-43).

NATIONAL SECURITIES & RESEARCH CORPORATION

National Securities & Research Corporation has filed a registration statement for 16,631 shares of National Securities Series.

Address—120 Broadway, New York City.

Business—Investment trust.

Offering—Effective date of registration statement.

Proceeds—For investment.

Registration Statement No. 2-5164. Form C-1. (6-28-43).

RIVERSIDE MILLS

Riverside Mills has registered $639,000 5½% first mortgage bonds, dated Feb. 15, 1943, due Feb. 15, 1963.

Address—Augusta, Ga.

Business—Company devotes its activity almost entirely to cotton textile by-products or waste.

Underwriting—No formal underwriting agreement has been entered into covering the exchange offered.

Offering—Under a plan of reorganization Riverside Mills offers to the holders of its preferred stock in exchange therefor $120 par value in first mortgage 5½% bonds, plus $2.625 in cash for each share of its preferred stock, provided that 75% in amount of the issued and outstanding preferred stock accept the same and tender their stock in exchange on or before Sept. 1, 1943, but time may be extended by the board. The bonds of this issue shall only be exchanged for preferred stock or sold to raise money to purchase and retire preferred stock or to reimburse the company for preferred stock which it may purchase before plan becomes effective, and which it does not retire and shall not be disposed of for any other purpose. Should company acquire an amount of bonds not exceeding $120,000 through the exchange of preferred stock purchased by it, Johnson, Lane, Space & Co., Inc. has agreed to buy any such bonds which Riverside Mills desires to sell at not less than $83.50 per $100 par value and accrued interest.

Purpose—For reorganizaztion.

Registration Statement No. 2-5165. Form S-1. (6-28-43).

SUNDAY, JULY 18

ARDEN FARMS CO.

Arden Farms Co. has filed a registration statement for 26,000 shares of preferred stock, without par value.

Address—1900 West Slauson Avenue, Los Angeles, Cal.

buying and selling of ice cream, the processing of milk, and the general business of buying and selling milk, butter, cottage cheese, eggs and various related products at wholesale and retail in the States of Washington, Oregon and California.

Underwriting—There are no underwriters. Company proposes through certain of its employees and through security dealers to solicit the exercise of option warrants, and the company proposes to pay the expenses of such employees in connection with such solicitation. If all such shares are not sold company will reimburse security dealers for their out-of-pocket expenses. If all such shares are sold the company will instead pay such dealers $1 for each share sold through the exercise of warrants procured by such dealer.

Offering—Company has granted to holders of its preferred stock, rights to subscribe for shares of preferred stock now being registered at the rate of one share for each 2½ shares held. Subscription price will be filed by amendment. After the expiration of the warrants the company proposes to sell such of the shares of preferred as are not subscribed through the exercise of warrants, to the public at such price as may be fixed by the board of directors of the company.

Proceeds—Net proceeds will be applied to the prepayment, so far as they suffice, of the company's notes outstanding in the principal amount of $1,050,000.

Registration Statement No. 2-5166. Form S-1. (6-29-43).

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 100,000 shares of full certificates of participation, Keystone Custodian Fund, Series "B-2".

Address—50 Congress Street, Boston.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5167. Form C-1. (6-29-43).

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 100,000 shares full certificates of participation, Keystone Custodian Fund, Series "K-2".

Address—50 Congress Street, Boston.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5168. Form C-1. (6-29-43).

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 25,000 shares, full certificates of participation, Keystone Custodian Fund, Series "S-1".

Address—50 Congress Street, Boston.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5169. Form C-1. (6-29-43).

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 500,000 shares of full certificates of participation, Keystone Custodian Fund, Series "S-2".

Address—50 Congress Street, Boston.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5170. Form C-1. (6-29-43).

CONSOLIDATED CIGAR CORPORATION

Consolidated Cigar Corporation has filed a registration statement for $7,000,000 ten year 3¼% sinking fund debentures to be dated July 1, 1943.

Address—444 Madison Avenue, New York City.

Business—Corporation and its subsidiaries are engaged in the business of manufacturing and selling cigars.

Underwriting—Eastman, Dillon & Co., New York is named principal underwriter. Others will be supplied by amendment.

Offering—Price to public will be supplied by amendment.

Proceeds—Net proceeds will be used to the payment of $1,000,000 face amount of notes payable to Bank of The Manhattan Company; $938,130 to redemption on or before Sept. 1, 1943, of outstanding 10-year 4% notes due July 1, 1950; $3,150,000 to redemption on or before Sept. 1, 1943, of 30,000 shares of its outstanding 6½% cumulative prior preferred stock at $105 per share, and $2,303,290 to redemption on or before Sept. 1, 1943, of its 20,939 outstanding shares of 7% cumulative preferred stock at $110 per share. Figures are exclusive of accrued interest and accrued dividends which will be paid out of corporation's general funds.

Registration Statement No. 2-5171. Form S-1. (6-29-43).

CALIFORNIA ELECTRIC POWER CO.

California Electric Power Co. has registered $16,000,000 first mortgage bonds, 3¾% Series due 1968, and 40,000 shares 5¼% convertible prior preferred stock, par value $100 per share.

Address—3771 Eighth Street, Riverside, Cal.

Business—Engaged in the generation, transmission, distribution and sale of electric energy.

Underwriting—Principal underwriter for the bonds is Dillon, Read & Co., New York, and for the preferred stock Stone & Webster and Blodget, Inc., and Bosworth, Chanute, Loughridge & Co., Denver. Other underwriters will be named by amendment.

Offering—Price of both bonds and prior preferred stock will be supplied by amendment.

Proceeds—Proceeds, together with funds received by the company from the sale of certain of its electric properties, will be used to redeeem all of the first trust mortgage gold bonds, 5% series of 1956 to be outstanding after giving effect to the surrender of certain bonds in the face amount of $641,300. Balance of proceeds will be used to pay the balance then due on the 3% installment note held by Bank of America National Trust & Savings Association. Upon the payment of such note, $641,000 face amount of the company's first mortgage trust gold bonds pledged by the company as security for such note will be surrended for cancellation.

Registration Statement No. 2-5172. Form S-1. (6-29-43).

MONDAY, JULY 19

UTAH POWER & LIGHT CO.

Utah Power & Light Co. has filed a registration statement for $37,000,000 first mortgage bonds, Series due 1973. Interest rate will be supplied by amendment.

Address — Kearns Building, Salt Lake City, Utah.

Business—Is a public utility operating in southeastern Idaho, northern and central Utah and southwestern Wyoming.

Underwriting—The bonds will be offered for sale by the company pursuant to the competitive bidding rule of the Commission. Names of underwriters will be supplied by amendment.

Offering—Offering price to the public will be supplied by amendment.

Proceeds—Net proceeds, together with $3,500,000 to be received from Northwestern Mutual Life Insurance Co. from issue and sale of $3,500,000 face amount of general mortgage serial bonds of Utah, due serially 1949-1953; $3,500,000 to be received from issue and sale to certain banks of $3,500,000 face amount of serial notes, and such amount, if any, of general funds of the company, will be used for the following purposes:

To pay principal and interest to maturity, as the case may be, on Utah company's 30-year first mortgage 5% gold bonds due 1944, of which $28,119,000 face amount were outstanding at March 31, 1943.

To pay Utah Company's first lien and general mortgage gold bonds, Series of "4½s of 1944", of which $4,068,000 face amount were outstanding at March 31, 1943.

To pay Utah Light & Traction Co.'s 30-year first and refunding mortgage gold bonds, Series A, 5%, of which $11,813,000 face amount were outstanding at March 31, 1943, these bonds having been guaranteed as to principal and interest by the Utah Company.

Registration Statement No. 2-5173. Form A-2. (6-30-43).

TUESDAY, JULY 20

UNITED STATES PLYWOOD CORPORATION

United States Plywood Corporation has filed a registration statement for 15,000 shares of cumulative preferred stock Series A $100 par value, and 50,000 shares common stock, $1 par value. The dividend rate on the preferred will be supplied by amendment.

Address—616 West 46th Street, New York City.

Business—Engaged in the manufacture and sale of Douglas fir plywood, hardwood plywood and molded plywood, under its trade-name "Weldwood," and of fabricated airplane parts and other laminated and related products, and is also engaged in the purchase and sale of hardwood plywood, Douglas fir and other plywood, related sheet and laminated products and glue.

Underwriting—Eastman, Dillon & Co., New York, head the group of underwriters. Others will be named by amendment.

Offering—Price to public will be supplied by amendment.

Proceeds—Of the net proceeds $554,840 will be used to redeem 20,176 shares of preferred stock now outstanding at the redemption price of $27.50 per share. Balance of net proceeds will be used to meet the requirements of the corporation either during the present war emergency or thereafter.

Registration Statement No. 2-5177. Form S-1. (7-1-43).

(This list is incomplete this week.)

Municipal News And Notes

(Continued from page 123)

between 25,000 and 75,000 have post-war reserve funds. Clarksburg, W. Va., is operating on a balanced budget and reducing bonded debt, and such cities as Colorado Springs, Elmira, N. Y., Beloit, Wis., Henrico County, Va., Lynchburg, Va., Tucson, Ariz., Tyler, Tex., and Wilmington, N. C., have set aside special funds for post-war work.

Officials of practically all 62 cities of less than 25,000 are saving funds for deferred maintenance, creating reserves for capital improvements, paying off debts or otherwise putting their cities in good financial condition. At the present rate of redemption, Alliance, Neb., and Franklin, Va., will be debt-free by 1951.

Many of the smaller cities have put surplus funds in war bonds: Big Stone Gap, Va., $30,000; Cartersville, Ga., $50,000; Northampton, Pa., $30,000; and Springfield, Vt., $37,000. Four cities in Maine and California, three in Florida, five in Virginia and Michigan, two in Oregon, Illinois and Vermont and one city each in Ohio, Pennsylvania and South Carolina are building up reserves.

In addition to setting up a similar cash reserve for deferred improvements, Lynchburg has reduced its debt and is issuing no bonds; Port Arthur, Tex., already has voted a bond issue, but the bonds will not be sold until construction can be started.

Among cities amassing funds for utility extensions are Escanaba and Traverse City, Mich., and Webster City, Ia. Grove City, Pa., has set up depreciation accounts in all departments; Sturgis, Mich., is setting aside $1,000 a month for electric utility replacements and Coronado, Cal., has set up a capital outlay fund to replace worn-out equipment.

Several cities report tax limits make it impossible to build up reserve funds, and a few cities in Iowa, Oklahoma and Texas have no authority for establishing such reserves. Only five of the 62 cities of less than 25,000 have not taken steps to set up some kind of post-war fund.

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Grade Labeling Called Harmful To Consumers, Incentive-Destroying By Advertising Federation

The Advertising Federation of America, at its 39th annual meeting and wartime advertising conference in New York City on June 29, reaffirmed its belief in descriptive labeling of consumer products which honestly informs the prospective buyer regarding the product offered for sale and with equal emphasis renewed "its unqualified condemnation of proposals to require the use of government assigned grades on many articles of merchandise."

In a resolution, the Federation expressed its belief that "this old proposal now renewed under the guise of wartime requirements has been unfairly presented and is badly understood by the consumers who would be most harmed by it." The resolution continued:

"Contrary to the claims made for it by its proponents, mandatory grade labeling actually would:

"Regiment consumer buying habits;

"Kill the incentive to produce ever better quality products at lower prices;

"Destroy the consumer's freedom of choice; and

"Restrict the natural American trend toward ever higher standards of living.

"The Advertising Federation of America urges the widest possible spread of information concerning this subject, which is so important to the welfare of every individual in the United States."

In another resolution the Federation commended "those advertisers, advertising media, and advertising practitioners who have contributed so much toward making advertising an important force in the war" and urged "even greater concentration on those war tasks for which advertising has proved its unique competence."

The Federation, in another resolution, deplored the misuse of advertising which "reflects bad taste, vulgarity and wilful perversion of legitimate wartime themes" and intends to continue its fight on such practices.

Congress was urged in another resolution "to weigh the need for new legislation to clarify and make secure the freedom of communications against the possibility of capricious regulation." On this subject, the Federation noted "with profound concern" the recent supreme judicial interpretation that the Communications Act not only confers upon the Federal Communications Commission the power to supervise the traffic of radio broadcasting but also "puts upon the Commission the burden of determining the composition of that traffic."

Post-War Peace Plan Offered In Senate

A resolution proposing to put Congress on record for post-war cooperation to establish permanent peace was introduced in the Senate on July 2 by Senators Vandenberg (Rep., Mich.) and White (Rep., Me.).

The resolution is somewhat similar to the proposal of Representative Fulbright (Dem., Ark.), which the House Foreign Affairs Committee recently approved.

In Associated Press advices from Washington, July 2, it was stated:

Mr. Vandenberg told reporters he and Mr. White, as members of the Foreign Relations subcommittee considering several post-war peace preservation proposals, had acted independently of their Democratic colleagues in framing the resolution.

"Obviously," he said, "Congress cannot act on so important a matter before the summer recess, but we wanted to have this resolution before the public so that the people can be thinking about it."

The resolution as introduced reads as follows:

"Resolved by the Senate (the House of Representatives concurring) that this Congress favors (1) the prosecution of the war to conclusive victory; (2) the participation by the United States in post-war cooperation between sovereign nations to prevent, by any necessary means, the recurrence of military aggression and to establish permanent peace with justice in a free world; (3) the present examination of these aims, so far as consistent with the united war effort, and their ultimate achievement by due constitutional process and with faithful recognition of American responsibilities and American interests."

Tweedy Co. Formation In NYC Is Announced

Announcement is made of the formation of Tweedy & Co., with offices at 52 Wall Street, New York City, to transact a business in investment securities specializing in over-the-counter stocks and bonds. Partners in the firm are F. B. Tweedy and Joseph R. Reilly.

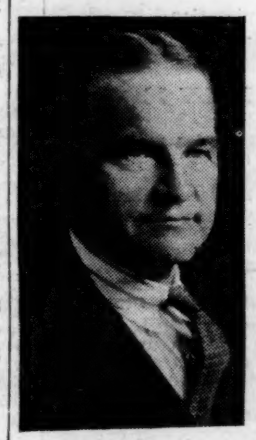
Formation of Tweedy & Co. was previously reported in the "Financial Chronicle" of July 1.

Bonner & Gregory Admit

Bonner & Gregory, 30 Pine Street, New York City, members of the New York Stock Exchange, will admit Edith A. Gregory to limited partnership in the firm on July 15.

Industry's War Record Answers Critics Of Its Effectiveness, Irving Olds Declares

The fine record of war production accomplished during the past three years by the American industrial organization, built up under a system of free private enterprise, belies "those critics who not so long ago questioned its virility and effectiveness," Irving S. Olds, Chairman of the Board of the United States Steel Corporation, declared on July 1. Mr. Olds made this assertion at a preview luncheon in Chicago of the Corporation's motion picture, "To Each Other," depicting some of the wartime activities of the steel company.



Irving S. Olds

Mr. Olds' remarks follow, in part:

"In June of 1940, the war in Europe and disturbing conditions in other parts of the world caused the United States to undertake a far-reaching national defense program. What was then contemplated assumes small proportions in comparison with the ever increasing plans for the prosecution of the war which have followed that shocking Sunday at Pearl Harbor. While the formulation of our country's defense and war programs has been a function of government, the fulfillment thereof has become the task of American industry.

"And how has American business acquitted itself of this responsibility? Despite hampering obstacles of one kind or another our industrial organization during the past three years has performed a wonderful job of production. American business has demonstrated a willingness, a determination and an ability fully to cooperate with the government toward the attainment of our common objective, the complete defeat of the Axis powers. The result of the loyal and tireless efforts of the experienced and efficient personnel, both management and workers, who direct and man the country's mines, factories and transportation systems can be found in the highly favorable change in the course of the war which has taken place in recent months.

"Gentlemen, this fine record of production has been accomplished because we had in the United States in June of 1940 a virile and effective industrial organization built up over many years under a system of free private enterprise—a system which has permitted the development of our national resources, the establishment of modern productive facilities, the training of skilled operating forces, and the attainment of a high standard of living. American business has truly come into its own and belied those critics who not so long ago questioned its virility and effectiveness.

"Chicago is an important center of the steel industry. Undoubtedly, steel constitutes the most essential material in modern warfare. All of us who are connected with the steel industry are justly proud of that industry's war contribution. Last year was one of record steel production—more than 86,000,000 tons of steel ingots were produced in the United States in 1942. The Steel Corporation's share in that total was 30,000,000 tons, perhaps an amount in excess of the combined steel output of Germany and her allies during that year.

"For more than two years the Steel Corporation's production has averaged in excess of 100% of its rated capacity for finished steel products. Its facilities have been materially revamped and extended so as to bring forth in increasing amounts various steel products needed by our vast war machine. This was an undertaking involving the eventual expenditure of more than $700,000,000, a large part being financed by the government."

Audibert Associated With Reynolds & Co.

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other leading national Exchanges, announce that Xavier M. Audibert is now associated with them. In the past Mr. Audibert was a partner in Gude, Winmill & Co.

E. F. Waterman Forms Own Firm In Seattle

(Special to The Financial Chronicle)

SEATTLE, WASH.—Earl F. Waterman has formed Earl F. Waterman and Company with offices at 1411 Fourth Avenue Building to engage in a general securities business. Mr. Waterman was formerly an associate of Earl F. Townsend & Co.

Morris-Essex Interesting

The current situation in Morris & Essex offers attractive possibilities, according to a circular issued by Raymond & Co., 148 State Street, Boston, Mass. Copies of this interesting circular may be had from the firm upon request.

A. N. Young Co. Opens Branch In New York

Allan N. Young & Co., Inc., announce the opening of a New York office at 52 Wall Street under the management of E. W. Connell, formerly of Ames, Emerich & Co., and Schluter & Co.

S. W. Public Service Possibilities Interesting

Southwestern Public Service Company at current levels offers an attractive speculation according to a detailed memorandum discussing the situation prepared by W. Dameron of the Statistical department of Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges. Copies of this interesting circular may be had upon request from Ira Haupt & Co.

Final Edition ESTABLISHED OVER 100 YEARS In 2 Sections—Section 2

The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

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The Financial Situation

The controversy which has recently arisen between the President and Congress concerning "roll-backs" and subsidies as instruments in the anti-inflationary effort, and which last week gave rise to another veto by the President, has been no more edifying or encouraging than the other controversies preceding it. The measure which the President vetoed was, unfortunately, plainly another of those rather hasty improvisations which left Congress open to the sort of ad hominem attack which the President so quickly and characteristically delivered. Fundamentally, however, the position of Congress is sounder than that of the President, whose success in preventing this particular bill from reaching the statute books leaves the real problems by which both Congress and the President are faced no whit nearer a constructive solution.

Good Politics; Poor Economics

Whatever may be the shortcomings of HR 2869, it is not, as the President asserts, "an inflation bill, a high cost of living bill, a food shortage bill." It may conceivably be true, as the President insists, that "by this measure the Congress will compel every housewife to pay five cents more for every piece of butter that goes on her table, and to pay higher prices for every pork chop, every ounce of beef, every slice of ham or bacon which goes to feed her family." If so, however, this is so small a part of the full story that to cite such facts, while remaining silent about the rest amounts to gross misrepresentation. Argument of this type, if argument is may be termed, is, however, the typical presentation of the shrewd politician. It is designed to attract the attention of millions of individuals who are already greatly disturbed about "inflation"—in substantial part as a result of the terrifying propaganda emanating from Washington for long months past—and to fix them in unalterable opposition to any obstacle which may be placed in the way of the program which the Administration has devised.

Not Helpful

Such tactics may be, probably are, well designed for the purposes they are intended to serve, but they afford

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From Washington Ahead Of The News

By CARLISLE BARGERON

Overshadowed by its fight with the President on subsidies and such spectacular action as its killing of NYA, Congress has succeeded after all these years in effecting a highly important remedy in the National Labor Relations Act. It was the first dent made in Labor's so-called Magna Charta since it was enacted and significantly enough the remedy was sponsored by the American Federation of Labor, particularly by its Metal Trades Department embracing some 15 international unions of the Federation.

Briefly, Congress tacked an amendment onto the NLRB's appropriation providing that none of its funds could be used by the Board "in any manner whatsoever in connection with a complaint arising from an agreement between management and labor which has been in existence for three months without complaint being filed." The provision effectively stops the Board from meddling in industries whose labor relations have been stabilized, particularly war industries, a meddlesomeness upon which it was embarking in a big way.

The action grew directly out of the Board's plan to throw the Kaiser and other shipyards which have had agreements with the A. F. of L. for two years, open to a labor organizing melee to give the CIO an opportunity to see if they could organize these already organized workers. In the agitation which has been going on for several months the Board defended its action on the ground that only a relatively few workers were in the Kaiser yards when the contracts were signed. It repeatedly claimed there were only 67 in one yard and less than 200 in another yard. The fact is there were several thousands in the yards but the NLRB, determined to make a case, separated them into two groups, those building the yards and those actually engaged in ship production at the time. The two groups were interchangeable, the building workers moving over to ship production as fast as their work was completed. All of this, however, was but legal subterfuge with which the Board tried to cover the real issue.

This was the practice of the

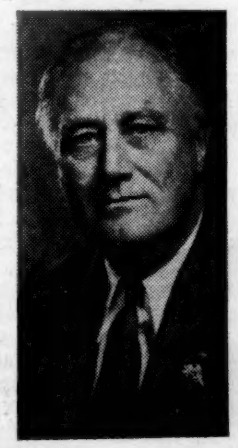
(Continued on page 133)

House Sustains President's Veto Of Bill Banning Subsidy Payments; Senate Again Rejects Plan

President Roosevelt vetoed on July 2 the Commodity Credit Corporation bill with its ban on food subsidies and price roll-backs and the House sustained the veto later the same day by a vote of 228 to 154. Since a two-thirds majority was required to override the veto, the House vote was 27 under the 255 needed.

Following this action, the House passed a resolution extending the life of the CCC until Jan. 1, 1944, and increased its borrowing power by $350,000,000—from $2,650,000 to $3,000,000,000.

The Senate, on July 6, however, approved a CCC extension bill containing a ban on the use of subsidies to roll back prices. Thus, the legislation now goes back to a joint conference committee. Unless the Senate measure is substantially revised in conference it is considered likely that the President will veto almost the same subsidy legislation he previously disapproved.



President Roosevelt

The Senate on July 6 first approved by a vote of 32 to 31 a plan for continuing the CCC with a limitation of $525,000,000 on funds for the food subsidy and price roll-back programs for the remaining six months of this year. However, on reconsideration of this proposal, the Senate voted 33 to 31 to refuse this plan. The Senate then by a vote of 36 to 29 rejected the entire CCC resolution but on a reconsideration voted 36 to 28 to adopt the measure with its ban on subsidies.

In his veto message, the President termed the measure "an inflation bill, a high cost of living bill, a food-shortage bill." He said that the legislation "will have a devastating effect upon our economy and our war effort" and warned that it "may cripple our entire food program."

Mr. Roosevelt's three principal objections to the bill were that it "blacks out the program to reduce the cost of living"; makes it "virtually impossible to institute any additional measures to reduce the cost of living or even to hold the line," and that "it denies to the Executive any power to purchase farm products for resale at a loss or to make incentive payments to obtain increased production of foodstuffs without the approval of the Congress."

Final Congressional action on the CCC bill, with its rider abolishing the food price subsidy and roll-back programs, was originally taken on June 30 when the Senate and the House adopted a conference report. The House vote was 160 to 32 and the Senate vote, 62 to 13. The House approved a more restrictive bill on June 25 while the Senate adopted its own version on June 26, thus necessitating a joint conference; this was reported in our issue of July 1, page 22.

The President's veto message follows:

To the House of Representatives:

HR-2869, to continue the Commodity Credit Corporation as an agency of the United States, is before me. This measure will become law only over my strenuous objection and protest. The Congress is aware of my deep interest in the Commodity Credit Corporation. It was created by me under Executive Order issued Oct. 16, 1933, to meet a grave and critical emergency. It has proved to be useful not only in an emergency but under other conditions. It has an essential function to perform in our war food production program. It should and must be continued.

But this is not a bill to continue the Commodity Credit Corporation. It is a bill to hamstring the Commodity Credit Corporation. It places new and unwarranted restrictions on the use of its funds and on the powers heretofore given to the Administration to stabilize the cost of living. These restrictions would prevent our giving to farmers the assistance they need in carrying out our new food production programs, so essential to feed our citizens and our soldiers. They would make it impossible to stop the rising cost of living.

As the measure now stands, this is an inflation bill, a high cost of living bill, a food shortage bill.

There is, for instance, a provision in Section 6 (A) which prohibits the establishment of a maximum price for any raw or

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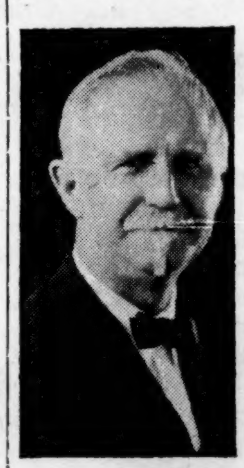
GENERAL CONTENTS

Editorials

What And When To Buy

Roger W. Babson Gives Four Rules For Buying Stock

Subject to minor corrections, we have had a bull market for some fourteen months. It is not yet time to forecast how high the stock market will eventually go. It is clear, however, that considerably higher averages will ultimately be attained. Further favorable prices are assured by powerful underlying forces. Among these is the fact that one way to compensate increased living costs, occasioned by inflation, is through buying good stocks. How to do this is the basis of my article today.



Roger W. Babson

War Bonds vs. Stocks

Small investors with only a few thousand dollars should NOW stick to War Savings Bonds and NOW steer clear of the stock market. Many wise investors or professional stock speculators would be satisfied with a **sure** 33⅓% increase in their capital over a period of ten years, which gain the Series E bonds will give not considering interest. To obtain such a gain otherwise NOW more than the usual businessman's risk may be incurred.

Through the medium of both Series E and F War Savings Bonds, all investors, large and small, can automatically increase their capital. There is no risk to these appreciation bonds which, bought at a discount, will, upon maturity, return 33⅓% more than they cost. I get provoked at some New Deal measures, but I certainly believe these short War Bonds to be both a safe investment **and a good speculation. I say the latter because there may be some great panic bargains before the time these ten-year bonds mature.** People with very little money should buy stocks only during panics.

What to Buy?

Usually it is better for the small investor to confine his purchases to stocks listed on the New York Stock Exchange. Generally speaking, nearly all stocks will rise to some extent in a bull market. For the purpose of this article, there-

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The Financial Situation

(Continued from first page)

little help in arriving at a sound understanding of the problems out of which they arise, or in formulating policies which may reasonably be expected to serve the interests of these same millions to whom this ad hominem appeal is made. The President is careful, of course, to omit the fact, for fact it is, that whatever the housewife is enabled by his program to save when she stocks her larder with butter, beef, pork and the rest, she, her husband, or posterity, must pay in the form of taxes. He says nothing that would disturb that comfortable, but highly illusory, popular assumption that somehow Government can make something out of nothing, provide "benefits" for Tom, Dick and Harry—and Helen, give aid to all "deserving" elements in the population, and like "Daddy" in nursery talk, "fix" any and everything in need of "patching up"—all without cost to any one, unless it be the fabled financial barons who deserve whatever they get. The politician could not ask for better bread, but the sensible man should know that it cannot be made from wheat.

The public cannot afford to ignore these facts which the President so persistently and studiedly ignores, or else the consequences of mistaken policies must inevitably be ruinous. It is obvious enough that if the consumer is permited to obtain goods at a price which does not cover the cost of producing these goods and placing them in his hands, either one or the other of two things must occur. Either production ceases or is reduced to the point where the product will bring at least what it costs, or else someone must pay the difference between the price and the cost of the goods. This difference, the President insists that Government pay. But Government has no funds which are not provided it by the community—or which are not created by fiat to the ultimate ruin of us all. Hence no argument is necessary to make it clear that any reduction in the cost of living, or any stabilization in living costs obtained at the price of subsidies, is illusory, hardly more than a snare and a delusion.

Theoretical Advantages

But the unreal nature of the "savings" to the consumer afforded by subsidy programs is but a part of the picture. Other more important aspects remain for consideration. The advantages claimed for subsidy programs as an aid in combating "inflation" claims, that is, by those more interested in public welfare than in the political considerations, are, first, that only the high-cost producers need to be paid subsidies in order to promote production, and, second, that subsidies paid at the point of production do not, as in the case of higher prices, tend to become pyramided through the steps remaining between the producer and the ultimate consumer. It is cheaper, so the argument runs, to pay 10 or 20% of the producers who cannot operate at current prices whatever subsidy is necessary to get them into production than it is to permit prices to rise sufficiently to serve the same purpose, since in the latter case the low-cost producers obtain "wind-fall" profits. Since under subsidy arrangements the products enter the economic stream at low prices, successive mark-ups as the goods pass from one hand to another to the consumer are not, continues the argument, nearly so great—assuming, of course, that such mark-ups are computed on a percentage of cost basis, as indeed they usually are.

Practical Considerations

But try to apply this doctrine to goods which flow from many thousands, even millions of producers. Who is to determine who are the low-cost producers and who are the high-cost producers? How are low-cost producers—who under this theory would draw no subsidies—to be prevented from selling their wares to illegitimate buyers, or so-called black markets, or even to legitimate buyers willing to pay more than the official price? How can the millions of dealers and others through which goods pass to the consumer be so effectively regimented that mark-ups are held to what the authorities think they should be? Consider for a moment the opportunities for paying political debts and for buying political favors embodied in efforts to control all elements in the economic system as are thus indicated! And, fully as important, consider the vast bureaucracy which must be supported by the taxpayer to administer any such program! Can any reasonable man suppose that money would in the end be saved the rank and file (who are, of course, the consumers) by any such device applied so generally as the President evidently envisages?

A Thousand-and-One "Ratios"

There are other even more serious difficulties and dangers in such a subsidy program. A good deal of publicity has been given to the so-called "corn-hog ratio" in recent years, and it is now widely said that this ratio, having been distorted by New Deal tinkerings with prices, is now responsible for a number of very threatening situations with which the authorities are attempting to deal by an application of the dog that did the biting. But the economic system is shot through with such "ratios," recognized or not recognized, publicized or known only to a few. Let any one of them be thrown badly out of line and consequences, often most troublesome, are to be traced through many labyrinths of the economic process down to the ultimate consumer. **Where is the man, or the group of men, wise enough to sit in some air-conditioned office in Washington and keep all the "ratios" in line? There is, of course, no such man, or group of men.**

And it is upon such a myriad of inter-relationships that full and continuous production depends!

Finally, what could be expected to happen when such a subsidy program as the President envisages comes to an end, as sooner or later it must? Then it will be that no one can longer pretend, or believe, that the cost of living really has been controlled. Then it will be that vested interests in largesse will dominate the political situation. Then it will be that the housewife will be obliged to adjust herself to the realities of the situation, and adjustments made obligatory upon her will not by far be the only ones. The President plainly left most of the story untold.

Easy Assumptions

"It is too easy to act on the assumption that all consumers have surplus purchasing power, and that the high earnings of some workers in munitions plants are enjoyed by every worker's family. This easy assumption overlooks the 4,000,000 wage workers still earning less than 40 cents per hour, and millions of others whose incomes are almost as low.

"It ignores the fact that more than 4,000,000 families have not had an increase of more than 5% in their income during the last eighteen months. It further ignores the millions of salaried, white-collar workers—the school teachers, the clergymen, the State, county and city officials, the policemen, the firemen, the clerks—whose salaries have remained low but whose living standards are being cruelly and inequitably slashed by higher food prices.

"It equally ignores others on fixed incomes—the dependent mother of the soldier boy with her scant $37 per month, the widow living off the proceeds of her husband's insurance policy, and the old-age pensioner.

"These millions are entitled to be protected against skyrocketing food costs. It is my duty to guard them against the ravages of inflation—and I shall guard them unless the Congress shackles my hand.

"These unorganized millions must not become the forgotten men and women of our war economy."—The President.

"It is too easy to act on the assumption" that any program labeled "anti-inflationary" is so in fact—fully as easy, so it would appear, as to do any of the things to which the President objects.

If the Administration does not soon alter its course in some of these matters, all of us may find ourselves "the forgotten men and women of our war economy."

The State Of Trade

A decided drop in coal production and substantial decline in carloadings for the week, caused the business index to drop several points.

With coal production still below normal, although the miners' strike has officially been called off, "Iron Age" estimates that 170,000 tons of steel have been lost so far in 1943 through coal work stoppages, and that it is now feared that coal and coke stockpiles cannot be rebuilt to a point of safety for the duration of the war. In April, prior to the trouble with John L. Lewis and his followers, stocks of coal at by-products plants were equal to only 5.4 days supply. In July, 1939 prior to the outbreak of war in Europe, such stocks equaled twenty five days' operations.

Strikes in the nation's coal mines this year have caused a production loss of approximately 26,000,000 tons of bituminous coal, a survey based on statistics of the Department of Interior and of the National Coal Association indicates.

Spurred by warnings that invasion plans depend upon increased steel production, Pittsburgh district steel workers and management plunged anew into their two-fold task: to regain the ground lost by the coal strike and to do their share in boosting national steel production by two million extra tons in the next six months.

For two days high officials of the War Production Board launched their steel for victory drive to step up production by the needed two million tons, toured major plants of the Pittsburgh area to appeal personally to both workers and management for more and more steel.

A third consecutive new record in electric power output was reported by the Edison Electric Institute in its weekly compilation showing a total of 4,120,038,000 kilowatt hours for the week ended June 26th, as against 4,098,401,000 for the preceding week, and 4,040,376,000 in the week ended June 12th. In the week ended June 27th 1942, total power output was 3,547,024,000 k.w.h.

The Pacific Coast area continued its lead over all other regions in percentage gains from the figures of a year ago, with a rise of 25%. Southern States' demand was up 23.5%, with the mid-Atlantic region registering a gain of 17.2%.

Reflecting the heavy demand for power for war production purposes by industries in this area, an all-time record for electricity generated by Consolidated Edison System companies was established when 31,220,070 kilowatt hours were produced. The previous record was 29,779,500 established on June 25th.

Carloadings of revenue freight for the week ended June 26th totaled 760,844 cars, according to the Association of American Railroads. This was a decrease of 107,397 cars from the preceding week this year, 92,574 cars fewer than the corresponding week in 1942 and 147,760 cars below the same period two years ago.

This total was 104.03% of average loadings for the corresponding week of the ten preceding years.

Freight car loadings in the third quarter this year will approximate 9,959,651 cars, an indicated increase of 1.5% above the 9,814,974 loaded a year ago, according to estimates furnished the Association of American Railroads by the thirteen regional shippers' advisory boards.

The pre-Independence Day buying rush was less pronounced this year, although ticket sales point toward record week-end travel and the need for hot-weather goods boosted sales of seasonal items, according to the weekly review of Dun & Bradstreet, Inc.

While retail stores commenced Saturday closings earlier this year, retail sales for the country as a whole were estimated to be 12 to 16% above last year. Retail sales in the New England area advanced 5 to 9%, while the East showed a rise of 7 to 12%. The Middle West showed a rise of 12 to 15%, the Northwest 11 to 13% and the South 12 to 20%. Southwest sales advanced 27 to 31%, while the Pacific Coast gained 25 to 28%.

Department store sales on a country-wide basis were up 19% for the week ended June 26th, compared with the like week a year ago, according to the Federal Reserve Board.

Store sales were up 19% also for the four weeks ending June 26th, compared with the same period a year ago, according to the same source.

Department store sales in New York City in the week ended June 26th were 6% larger than in the like 1942 week, and in the four weeks ended June 26th, rose 16% over the corresponding period last year, according to the New York Federal Reserve Bank.

Sales of apparel stores in the week ended June 26th were 8% higher than in the corresponding week last year, and in the four-week period were 30% above those of the like 1942 period.

Congress Expected To Recess, But With Right To Reconvene

Congress is expected shortly to take a two-months' Summer recess under a resolution which would retain for that body the right to reconvene during the recess without waiting for a call from President Roosevelt.

The recess is likely to begin around July 10 and continue until Sept. 13. Under the procedure decided upon by the leaders of both major parties, the recess resolution will provide for calling Congress back into session before that date if necessary. The Speaker of the House and the Vice-President could end the recess upon the request of the Democratic or Republican leaders of both the Senate and the House.

Under normal procedure Congress cannot reconvene during a recess unless recalled by the President or unless it has fixed by resolution a specific date for reconvening the next regular session.

Speaker Rayburn said on June 28 that adoption of this unusual procedure was not to be construed as a reflection on the President.

House Democratic Leader McCormack of Massachusetts and Republican Leader Martin of Massachusetts also said there was no intention on their part to reflect upon the President when they drafted the resolution.

It was also stated by the Associated Press that Representative McCormack explained that the "unusual but justifiable" procedure was necessary because of the war with its accompanying uncertainties.

Items About Banks, Trust Companies

The National City Bank of New York reported, as of June 30, total resources of $3,735,625,234 as compared with $3,568,434,805 as of March 31, last, and $3,128,263,792 as of June 30 one year ago; total deposits of $3,512,094,114 against $3,352,958,745 and $2,917,113,053. Holdings of U. S. Government obligations were $2,072,406,287 compared with $1,865,903,179 and $1,277,330,145. Cash on hand and due from banks was $806,918,420 against $860,032,174 and $935,698,027. Loans and discounts were $584,133,089 against $532,584,826 and $595,152,147. Capital remains unchanged at $77,500,000 and surplus was $85,000,000 against $77,500,000 previously reported. Undivided profits were $26,851,580 compared with $25,110,800 and $20,031,715.

Combined net current operating earnings of the bank and City Bank Farmers Trust Co. for the second quarter of the year, it is announced, were 58 cents per share and for the first half year amounted to $1.08 per share as compared with 91 cents per share for the first half of 1942. As is customary, these earnings are exclusive of bond profits and recoveries which, together with the earnings of the trust company, have been transferred to reserves, except for $1,250,000 of the recoveries, which was added to $6,250,000 distribution from the City Company of New York to constitute the total of $7,500,000 added to surplus account in June, 1943. The bond profits transferred to reserves for the first six months were equivalent to 21 cents per share, compared with 12 cents per share for the first half of 1942.

The City Bank Farmers Trust Co. reports total deposits as of June 30 of $107,285,551 against $91,990,907 on March 31, and $89,451,423 on June 30 one year ago. Total resources were $134,495,057 compared with $119,091,854 and $116,901,479. Cash amounts to $18,007,453 against $28,985,612 and $34,978,492. Holdings of U. S. Government securities were $97,717,740 against $69,855,600 and $56,784,334. Capital and surplus were unchanged at $10,000,000 each and undivided profits were also unchanged at $5,830,103.

Resources, deposits and holdings of U. S. Government obligations are reported at their highest totals on record, in the statement of condition of the Guaranty Trust Co. of New York as of June 30, 1943, published July 2. The comparative figures show total resources of $3,073,489,040 on June 30, as compared with $3,015,473,615 at the time of the last published statement, March 31, 1943; deposits of $2,758,836,791, as compared with $2,666,261,390, and holdings of U. S. Government obligations of $1,841,302,186, as compared with $1,827,681,573. The company's capital and surplus remain unchanged at $90,000,000 and $170,000,000, respectively, and undivided profits total $25,453,136, as compared with $23,445,680 on March 31, 1943.

The Chemical Bank & Trust Company of New York reported as of June 30, 1943, deposits of $1,108,817,304 and total assets of $1,203,538,173 as compared respectively with $1,041,405,430 and $1,133,964,753 on March 31, 1943. Cash on hand and due from banks amounted to $244,628,666 compared with $261,910,314; holdings of United States Government securities to $610,219,501 against $509,560,659; bankers' acceptances and call loans to $48,294,227 against $37,472,099; and loans and discounts to $125,642,126 against $149,273,845.

Capital and surplus were unchanged at $20,000,000 and $55,000,000 respectively, and undivided profits are now $6,288,537 against $5,805,606 at the end of March. The indicated net earnings on the bank's 2,000,000 shares (par $10.00) amount to $.69 per share for the second quarter of 1943, as compared with $.60 for the same quarter a year ago.

J. P. Morgan & Co., Incorporated, New York, in its statement of condition as of June 30, 1943, reports total resources of $780,853,643 and total deposits of $734,037,118, compared with $744,722,361 and $697,866,820 on March 31, 1943. According to the current statement, cash on hand and due from banks amounted to $138,444,766, against $155,399,860 three months ago; U. S. Government securities (direct and fully guaranteed) are now $518,857,917, compared with $464,815,117; State and municipal bonds and notes at the latest date are $19,674,853, against $25,130,519, and loans and bills purchased are $77,351,887, compared with $69,611,052. The capital and surplus are unchanged from the close of the first quarter at $20,000,000 each, with undivided profits also the same at $1,817,508.

At the regular meeting of the Board of Directors of The National City Bank of New York, held on July 6, James A. MacKay was appointed Vice-President. Following his association with the Canadian Bank of Commerce, Mr. MacKay joined National City's foreign branch inspection staff on Dec. 1, 1925. Attached to the Bank's Comptroller's Division, he served in the capacity of branch inspector where he attained the distinction of having inspected almost all of National City's foreign branches throughout the world. Mr. MacKay was appointed Assistant Comptroller of the Bank on June 30, 1931, and Assistant Vice-President on Sept. 15, 1931. He is now engaged at Head Office in the administration of the bank's affairs in the Far East. As Assistant Vice-President and Supervisor of National City Chinese branches for the past 12 years, Mr. MacKay was in Shanghai when the Japanese occupied the city and he was included in the group of American nationals which was taken into custody for "questioning" by the Japanese gendarmerie. He was released after 59 days in prison and permitted to return to New York on the S. S. Gripsholm which arrived August 25 last year. During the first World War Mr. MacKay served as a member of the British Royal Air Force.

The statement of condition of Manufacturers Trust Company of New York, as of June 30, 1943, shows deposits of $1,416,802,430 and resources of $1,517,315,839. Resources are reported in excess of one and one-half billion dollars for the first time. These figures compared with deposits of $1,344,604,197 and resources of $1,443,510,368 shown on March 31, 1943. On Dec. 31, 1942, the respective figures were $1,322,420,807 and $1,419,495,474. Cash and due from banks is listed at $330,842,294 as against $375,714,378 shown on March 31, 1943, and $370,862,493 shown six months ago. United States Government securities stand at $805,566,229; three months ago it was $676,984,890 and six months ago it was $635,564,410. Loans, bills purchased and bankers' acceptances is now $276,254,774, which compares with $279,375,385 on March 31, 1943, and $300,378,843 on December 31 last year. Preferred stock is shown as $8,307,640, common as $32,998,440 and surplus and undivided profits as $46,255,896. Net operating earnings for the six months ending June 30, 1943, after amortization, taxes, etc., as well as dividends on preferred stock, was $3,577,591, or $2.17 a share on the common stock. Of this amount $1,649,919 was paid in dividends on common stock, $113,644 was used to write down banking houses and $1,814,028 was credited to undivided profits. During the first six months 14,595 shares of preferred stock were retired, which had the effect of reducing preferred stock account $291,900 and undivided profits account $458,100.

The statement of condition of the Irving Trust Co., New York City, for June 30, 1943, shows deposits on that date of $945,997,683, compared with $888,494,020 on March 31, 1943, and $780,348,990 on June 30, 1942. Total resources at the latest date amoutned to $1,058,686,151, compared with $1,001,746,245 on March 31 and $892,255,004 a year ago; cash on hand and due from Federal Reserve Bank and other banks now at $203,704,260, compared with $220,466,028 and $282,750,437 on the respective dates; investments in U. S. Government securities, $655,260,719, contrasting with $570,048,590 and $365,776,256; loans and discounts, $163,910,371, as against $167,053,280 and $201,873,957. The bank's capital stock is $50,000,000, unchanged from earlier dates, while surplus and undivided profits on June 30 amounted to $55,339,985, compared with $55,083,702 on March 31, 1943, and $54,323,292 on June 30, 1942.

Joseph C. Rovensky, who recently resigned as Assistant Coordinator of Inter-American Affairs, returned on July 1 to his former post as a Vice-President of the Chase National Bank of New York. Mr. Rovensky went to Washington in July, 1940, when the office of Co-ordinator was established. Prior to that time he had been an officer in the foreign department of the Chase National Bank for more than 18 years. He has long been prominently identified with the field of foreign trade financing and several years ago was elected President of the Bankers Association for Foreign Trade.

The New York Trust Co., New York City, reported as of the close of business June 30 total assets of $695,936,739 and total deposits of $642,830,902, compared with assets of $641,756,214 and deposits of $596,585,149 on March 31. Cash items amount to $142,651,569, against $142,845,896 three months ago; United States Government obligations (direct and guaranteed) to $384,316,653, compared with $333,369,710, and loans and discounts to $142,366,410, against $135,094,626. The bank's capital and surplus now stand at $15,000,000 and $30,000,000 respectively, compared with $12,500,000 and $25,000,000 on March 31, while undivided profits on June 30 total $5,101,911, as against $4,786,418 three months ago.

Statement of condition of Corn Exchange Bank Trust Company as of the close of business June 30, 1943, shows total assets of $578,455,299 as compared with $568,935,217 at the end of 1942. The bank reports deposit and other liabilities of $541,936,058 and capital surplus and undivided profits of $36,519,241 compared with deposit and other liabilities of $532,798,687 and capital surplus and undivided profits of $36,136,530 on Dec. 31, 1942. The increase in surplus and undivided profits in the first six months of the year, representing the excess of assets over liabilities, was $382,711.

Cash in vaults and due from banks decreased during the six months from $152,476,572 to $142,612,944, whereas holdings of U. S. Government securities increased from $324,312,363 to $361,882,546. Holdings of other securities are reported as $15,070,405 as compared with $25,486,298 at the year-end, while loans and discounts at $32,249,327 compared with $37,035,466 on Dec. 31, 1942.

The First National Bank of the City of New York, in its report

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The News Behind The News

By PAUL MALLON

Fathers have been fed almost daily confusing and conflicting statements by Government officials as to when and if they will be drafted.

Paul Mallon

The last authoritative word is that they will be taken in October, but, only a few weeks ago, the equally authoritative official prediction was that they would be drafted in July.

Negotiations are afoot whereby they may not be taken at all. The official goal has been an 8,000,000-man Army, but certain authorities, including the chairman of the House Military Affairs Committee, Andrew May, have discovered that fighting efficiency might be sharply increased if the goal is trimmed to perhaps 5,000,000.

The equipment for training, feeding, shipping abroad, and supplying 8,000,000 men is obviously limited. The available facilities would enable the training and supplying of a 5,000,000-man force to a far greater degree of efficiency than the currently announced program would permit.

Also lately, the military men have come to place greater reliance on air power. Since the air events of the final portions of the North African campaign, Army authorities have come to believe that bombing may do more of the job ahead of us than they expected, a job for which they formerly anticipated the need of foot soldiers.

A curtailment of 3,000,000 likewise would meet the manpower situation, as Mr. McNutt has announced exactly 3,300,000 persons must be added to the labor force.

Signs are plentiful that the directing officials already are moving toward curtailment. A Senator has received information that the draft quota for August has been cut from 238,000 men to 150,000.

Official announcements also have been made that the Army is releasing the hotels it seized for training purposes at Miami, Atlantic City, Chicago, and elsewhere.

Jim Petrillo, the musicians' union's fuehrer called in reporters a few days back to laugh publicly at John Lewis and the coal strike and to say:

"When I call a strike, I call a strike."

He certainly does, Petrillo has conducted the longest strike of the war. Since last August 1, nearly a year ago, he has caused his musicians to strike against any radio transcriptions of music.

He was "out of town" (to put it politely) when John R. Steelman's labor conciliation bureau started seeking him out a few weeks ago, and reappeared only for the press conference to laugh at Lewis, who was getting the public opprobrium which Petrillo equally deserved.

A labor union boss who does that requires attention even from this Administration and Mr. Petrillo shortly will find himself facing the War Labor Board where his case is bound to go.

FDR's veto of the Smith-Connally war measure against strikes has left a situation in Congress which will be a long time mending.

He did not exactly promise the Senate and House leaders that he would accept their measure, but two unreported incidents led Senator Connally and others to believe that he would.

His left-hand man, War Mobilizer Byrnes, is quoted by House members as having said to them that the measure was acceptable, even with the House amendments.

Dr. Kemmerer Retires From Princeton Post

The retirement of Dr. Edwin Walter Kemmerer, Walker Professor of International Finance at Princeton University was announced on July 2 by Dr. Harold W. Dodds, President of the institution. Retiring with him are four other professors, Dr. Harvey W. Hewett-Thayer, Chairman of the Modern Languages Department; Dr. Douglas Larabee, of the same department; Professor William Starr Myers, of the Department of Politics, historian of the Republican party and editor of the papers of Herbert Hoover, and Professor Walter L. Whittlesey, also of the Department of Politics.

The following regarding Dr. Kemmerer's career was contained in Associated Press advices from Princeton, N. J.:

The 68-year-old Dr. Kemmerer was Banking and Currency Adviser of the Dawes committee, which drafted the reorganiaztion of the German Reichsbank and the stabilization of German currency in 1924. He reconstructed currency systems for the Philippines, Mexico, Guatemala, Colombia, Germany, the Union of South Africa, Chile, Poland, Ecuador, Bolivia, China and Peru.

After his graduation from Wesleyan University in 1899, he won a fellowship in economics and finance at Cornell University under which he studied for two years. From 1901 to 1903 he was instructor in economics at Purdue University and in 1903 received his doctorate of philosophy.

Dr. Kemmerer got his first job as financial diagnostician on the strength of a college thesis at Wesleyan on money and prices, which he developed into a thesis for his doctor's degree. The thesis attracted attention, and by the end of 1903, at the invitation of the United States Government he was in the Philippines as financial adviser to the Philippine Commission under William Howard Taft.

The youthful expert stayed there three years while he drafted a new currency system, a postal-savings system and a government agricultural bank law.

Returning home in 1906 after visits to the Straits Settlements and Egypt to report on currency conditions, he settled at Cornell, first as Professor of Political Economy then as Professor of Economics and Finance until 1912. That year he moved to Princeton, also as Professor of Economics and Finance.

In 1927 the "money doctor" began his world-wide practice in Mexico. He frequently explained that he was not a general practioner for national finances. He merely diagnosed, he said, prescribed remedies and left it to the various governments he advised to administer treatments.

House Sustains President's Veto Of Bill Banning Subsidies—Senate Again Bars Use—President Holds Measure Inflationary

(Continued from first page)

processed agricultural commodity which will reflect to the producers thereof a price less than the support price heretofore or hereafter announced by the War Food Administrator, or less than the higher of the maximum prices provided in Section 3 of the Act of Oct. 2, 1942.

I have tried to analyze this section and to translate it into common sense English. Frankly, I do not know what it means.

If the provision merely means that if the support price is higher than the maximum price established under the Act of Oct. 2, 1942, the commodity must be purchased from the producer at the support price or the farmer must be paid the difference between the support price and the maximum price, the provision would serve no purpose. That is now as I understand it, the law.

If, on the other hand, despite language which looks the other way, the provision were construed to mean that the maximum price must be fixed so as to yield to the producer the support price without the payment of any subsidy, the provision would require the immediate upward adjustments in the ceiling prices for many basic food products.

Prices for dry edible beans, cheese, canned vegetables, sugar and, in some markets, fluid milk would immediately go up because the support prices for these products are higher than their present ceiling prices.

If the provision were so construed, it would not only immediately increase the cost of living but it would make it impossible for us to adopt support programs needed to increase production without causing a still further rise in the cost of living. Undoubtedly if we must in each case weigh the advantages of a support program against the disadvantages of an increase in the cost of living, many support programs which might otherwise be adopted will be rejected, and other support programs, although finally adopted, will inevitably be delayed.

Section 6 (B) of the bill prohibits, with specified exceptions, the making of any subsidy or other payment other than those which have accrued prior to Aug. 1, 1943, if such a payment is designed either (1) to reduce or roll back maximum and support prices or (2) as a substitute for increasing maximum prices or support prices, unless such payments are specifically authorized by the Congress.

The specified exceptions are rigidly limited. Subsidies or other payments can be made until the end of the current crop year on any agricultural commodity other than milk or livestock, if, prior to June 15, 1943, the Government was committed to make them. Wheat can be sold for feeding purposes at not less than the parity price for corn. Maximum and support prices of domestic fats and oils and oil seeds can be adjusted as necessary to assure adequate production.

Section 7 seeks to subject to the War Food Administration's control all the powers given under Section 2 (E) of the Emergency Price Control Act in respect to the purchase, sale, storage and use of foods. I am sure that the War Food Administration is amply capable of handling such a task. But even its hands are shackled by the imposition of rigid restrictions which were included neither in the original Price Control Act nor in the Act of Oct. 2, 1942.

Section 7 provides that purchases can be made only at prices which reflect to the farmer not less than the maximum price provided in the Act of Oct. 2, 1942, or the announced support price, whichever is the higher. No purchases can be made for the purpose of reducing any maximum price. No purchases can be made for the purpose of resale at a loss unless made under a program announced prior to July 1, 1943.

Even under pre-existing commitments, the Government is not authorized to make purchases which will involve losses in excess of $150,000,000. It apparently prohibits any purchase and sale program involving any loss for the 1944 crop. Commodities purchased are not to be sold for less than the maximum price limitations provided in the Act of Oct. 2,1942, or contrary to Section 2 (F) of the Price Control Act.

It is far from clear that this last restriction does not nullify the exception in Section 6 permitting wheat to be sold for feed at the corn parity price.

It is not clear whether the restrictions in Sections 6 and 7 are cumulative or whether the Congress wished to draw a distinction between direct subsidies and trading losses resulting from the purchase and resale of foods.

Reputable lawyers could, I am advised, argue that Section 6 completely nullifies Section 7. If I should agree, then the bill would be even more inflationary. If I should take the contrary view, I may be sure that I will be accused of misconstruing the law.

Many other serious complications and difficulties in administering and construing the bill have been brought to my attention. But if I attempted to deal with all of them here my message would become as complicated and confused as the language of the bill itself.

When farm prices were low, in time of peace, no one in either branch of Government ever suggested that the Commodity Credit Corporation should be forbidden to take losses in its operations. Now, in the critical emergency of war, it is proposed to tie the corporation's hands in ways undreamed of in less strenuous days.

No matter how this measure is interpreted, it will have a devastating effect upon our economy and our war effort about which I believe the Congress and the American people ought clearly to be warned.

1. This bill blacks out the program to reduce the cost of living. In other words, it completely outlaws the recent reductions in the price of meat and butter which we instituted in order to help get the cost of living back down from the height to which it has risen in recent months.

By this measure the Congress will compel every housewife to pay 5 cents a pound more for every piece of butter that goes on her table, and to pay higher prices for every pork chop, every ounce of beef, every slice of ham or bacon which goes to feed her family.

2. This measure will make it virtually impossible to institute any additional measures to reduce the cost of living or even to hold the line.

3. The bill denies to the Executive any power to purchase farm products for resale at a loss or to make incentive payments to obtain increased production of foodstuffs without the approval of the Congress. I do not believe that the Congress has had an opportunity to know or to consider how seriously it may cripple our entire food program.

It is proper for the Congress to set the limits within which our food programs must operate and the principles to which they must conform. But there is not time to submit each specific food program for Congressional approval. Crops will not wait for Congressional debate. To require specific approval of each specific program is, in effect, a prohibition.

In order to obtain a greater production of important war foods it may be necessary to establish special incentives for our farmers. We are asking our agricultural producers to change their farming methods and to grow new crops to which they are unaccustomed and which we need greatly in place of the old crops to which they are accustomed and which we may not need so greatly.

It may often be difficult for the War Food Administrator to decide just how great an incentive is required for this purpose. This bill does not prevent the continued use of generous incentive payments to obtain strategic war materials other than food. Yet food is as important as any other strategic war material.

This measure, however, would mean that every additional dollar paid to the farmer to get the extra war crops we need to feed our soldiers abroad would reduce the purchasing power of the limited allowances of their wives and children at home.

Such a restrictive measure would serve only to set the soldier, the worker and the unorganized consumer at war with the farmer.

The original price control act gave the Government certain powers to regulate prices. In the summer of last year I informed the Congress that the Administration could not control the cost of living and prevent inflation unless it was given more adequate power to stabilize wages and food prices. Thereafter the Congress passed the act of Oct. 2, 1942, which authorized me to stabilize prices, wages and salaries affecting the cost of living so far as practicable on the basis of the levels which existed on Sept. 15, 1942.

The measure now before me virtually nullifies the act of Oct. 2, 1942. This Government cannot effectively stabilize the cost of living if it cannot stabilize the cost of necessary foods. As a matter of fact, this measure even takes from the Government powers which it was given under the first price control act.

As the danger of inflation grows, the Congress would by this bill put new shackles on those whose duty it is to fight inflation. The fight against inflation cannot be won that way.

To get our economy to work I realize that we cannot rigidly freeze all prices or all wages. In some cases we must pay higher prices to producers to get the extra war production which we need because that extra production costs more to produce. We must likewise put more money in the worker's pay envelope when he works longer hours or when he does more skilled or efficient work, or when his pay is insufficient to keep him on a decent subsistence level. But with a well-balanced combination of measures we must keep wage rates and consumers' food prices from rising if we wish to hold down living costs.

Our wage stabilization program is and must be dependent on the stabilization of the cost of living. This is expressly recognized in the act of Oct. 2, 1942. The Little Steel formula was based on the fact that there had been a rise of approximately 15% in the cost of living between January, 1941, and May, 1942, for which rise workers could be compensated by wage increases.

The cost of living is now about 8% above the level of May, 1942, and about 6% above last September. There has been an increase in the average worker's weekly pay check since September. This increase has come primarily through longer hours and through the shift of workers in war industries from lower-paid civilian occupations, although increases in wage rates to correct inequities have played a part. But there are many workers who have enjoyed no increase in earnings.

It is too easy to act on the assumption that all consumers have surplus purchasing power, and that the high earnings of some workers in munitions plants are enjoyed by every worker's family. This easy assumption overlooks the 4,000,000 wage workers still earning less than 40 cents per hour, and millions of others whose incomes are almost as low.

It ignores the fact that more than 4,000,000 families have not had an increase of more than 5% in their income during the last eighteen months. It further ignores the millions of salaried, white-collar workers—the school teachers, the clergymen, the State, county and city officials, the policemen, the firemen, the clerks —whose salaries have remained low but whose living standards are being cruelly and inequitably slashed by higher food prices.

It equally ignores others on fixed incomes—the dependent mother of the soldier boy with her scant $37 per month, the widow living off the proceeds of her husband's insurance policy, and the old-age pensioner.

These millions are entitled to be protected against skyrocketing food costs. It is my duty to guard them against the ravages of inflation—and I shall guard them unless the Congress shakles my hand.

These unorganied millions must not become the forgotten men and women of our war economy.

The plea has been urged on behalf of industrial workers that if the cost of living is not cut to September, or even to May, 1942, levels, wage rates should be raised to compensate. But to raise wages because living costs have risen will be at best only a temporary solution. Raising wage rates increases the cost of production, both of war goods and of the goods whose prices make up the cost of living. It also increases consumers' spending power.

The combined effect of increased spending power and increased production cost is inevitably a further rise in the cost of living, and at the same time the money cost of the war increases. In short, to give people more money because prices are rising does not cure the evil, but makes it worse. This is precisely what is meant by the "inflationary spiral."

To prevent this spiral of rising costs and prices we must hold firm to the stabilization of wage rates. But to do this we must assure workers that they can get a fair share of available goods on legitimate markets and at prices "so far as practicable on the basis of the levels which existed on Sept. 15," as prescribed by the act of Oct. 3.

Whatever theoretical choices may conceivably be open to us, practically we will have only two. We must keep the cost of living more nearly in line with the level prescribed in the law or we will not be able to hold the wage line or protect the millions of men and women living on low salaries and small fixed incomes. If wages rise, the cost of living will not stand where it is; it will go up and the inflational spiral will gain strength.

I do not think that a reduction of all living costs or wage increases to the September level is practicable. We all must be prepared in total war to accept a substantial cut in our accustomed standards of living. But we must definitely stop the rising trend of living and push back the price to consumers of important key commodities in the family market basket.

When I talk of important key commodities, I do not mean fur coats, or tailored suits or caviar. I mean the necessities of life, things like bread, milk, butter, sugar, coffee, ordinary meats, fats and canned foods, things that plain working folk must have.

We must not only keep the price of these necessities down, but we must increase, when we can, the supply which helps relieve the pressures for higher prices and helps reduce the temptation of the black barkets. With the improvement in the war against the submarine we may even be able soon to remove sugar and possibly later coffee from the ration list. But we can not hope in a period of total war to increase the supply of all necessities sufficiently to relieve the price situation.

To reduce the price of key necessities or even to hold some of them at present levels, we either will have to reduce producers' prices and distributors' margins or we will have to use subsidies.

That does not mean that we can achieve stabilization by subsidies alone, without firm price and wage policies, adequate fiscal measures, and positive programs to assure that adequate supplies of essentials at legitimate prices will be available in the legitimate markets.

But the experience of other countries like Canada and England does demonstrate that limited subsidies can and must be effectively used as a key weapon to control inflation.

The alternative to such action would be more costly to the Treasury and to the people. If we do not take the course of action I have suggested, we shall be charged with having failed to stabilize the cost of living, as the Act of Oct. 2, 1942, directed us to do, and there will be increasing demands from the workers of the nation for a drastic modification of the Little Steel Formula.

If a 10% over-all increase in wages should occur as a consequence of our failure to stabilize living costs, that added cost of labor alone would cause an increase of not less than 4½% in the general level of prices. That would increase our annual war costs approximately four and one-half billion dollars. For we are spending 100 billions per annum for war and every rise of 1% in the prices the Government pays adds approximately one billion to the Government's war expenditures.

I say approximately, because some of the expenditures would not automatically be increased. A 10% wage increase would, moreover, increase the cost of living by at least 4½% and would cost consumers at least four billion dollars a year.

And, what is more, if we should have to abandon the hold-the-line order and to allow wages to rise we would have no assurance that we would be able to hold living costs stable even at a higher level. Rising costs would continue to press against the price and wage levels and these would be forced higher still. Rising wages would add to the excess purchasing power, and an enlarged inflationary gap would make the fiscal task of absorbing excess purchasing power by higher taxes and enforced savings unmanageable. Those with meager wages and small fixed incomes would be ground below the margin of fair subsistence.

I need not tell the Congress the devastation which will be wrought, far and wide, on the farmer, the worker and the business man, if the fires of inflation ever got out of control. The farmers will never forget the deflation following the last war and the sufferings they then endured.

To protect the farmer it is not

necessary to oppress the consumer. The way to protect the farmer is to authorize the Commodity Credit Corporation to pay the farmer what he should get for his products and to sell those products at a loss, if need be, to keep the cost of living down.

That may be a subsidy, but that is the only way to avoid inflation which will be ruinous to farmer and consumer alike. If we prohibit subsidies and allow the cost of living to rise, as this bill does, whatever support prices we make to the farmer will be nullified by the inflation of all prices and all costs.

I have just been informed that the preliminary figures indicate that between May 15 and June 15 there was a decrease of 1% in food prices. This is the first decline in the food price index in more than a year. This bill would wipe out that decline and start anew a rise in the cost of living. I cannot by signing it share the responsibility for that rise and its disastrous consequences.

Those in command of our war economy, like those in command of our armies, must be endowed with adequate authority to meet emergency situations as they arise.

Subsidies to help hold down living costs and at the same time protect the farmer should be applied only in strictly limited and clearly defined circumstances Such subsidies should be confined to goods essential to the maintenance of a reasonable wartime standard of living for the people. Wherever the grant of subsidies at flat rates would involve gross windfall profits for low-cost producers, processors or distributors, they should be granted on a differential basis to cover the special burdens of small business and high-cost producers.

I do not intend to permit farm prices and farm incomes to be depressed. Today the aggregate net income of farmers, like that of the workers, is larger than ever before. As a result of my recommendation of Sept. 7, 1942, that a floor be established for farm prices, Congress, by the act of Oct. 2, 1942, guaranteed to farmers 90% of parity on most farm products during the war and for at least two crop years thereafter —a guarantee given to no other group.

If further payments to farmers are necessary to enable them to make the added outlays required to increase the production of war crops, these payments should and will be made.

But unless the Congress leaves with the executive branch the means of seeing to it that further increases in producers' prices do not increase the cost of living, the executive branch cannot accept responsibility for holding the wage line or for stopping the inflationary spiral.

If I am to hold the line, my hands must be left reasonably free to hold it even-handedly.

In this task of saving our free economy, Congress and the Executive must work together, as a team. H. R. 2869 marks a definite retreat from economic stability toward uncontrolled inflation. That retreat cannot be made with my approval.

I sincerely hope that if the Congress cannot agree before its recess on legislation which will remove the serious defects in this bill, it will pass a joint resolution continuing the life of the Commodity Credit Corporation and providing the increase in borrowing power until the Congress has time to agree upon an appropriate measure. The officials of the executive departments will welcome an opportunity to furnish information and be of assistance.

I return the bill without my signature.

From Washington

(Continued from first page)

CIO of standing by until the expanding war plants had expanded to the point where the laborers outnumbered the skilled workers, and then demanding that the A. F. of L. contracts be voided and they be given a shot at the spoils, this after the wages had been negotiated by the A. F. of L., and the CIO's inducement would be cheaper dues. In 1938 the A. F. of L. sought an amendment to the Wagner Act to protect its skilled craftsmen. The amendment would have provided they could have their own election, the common laborers could have theirs. The New Dealers seeking to advance the CIO as their socio-political adjunct, bottled the amendment up. Thus, the NLRB has gone right along giving encouragement to the CIO and trying to obliterate the A. F. of L.'s craft unionism. Had it not been checked it could have given the A. F. of L. an awful wallop in these war days. In normal times the craft unionists, dyed-in-the-wool, could protect themselves by striking. It was the Board's intention to move in on them now while striking is decidedly unpopular.

Much will be heard about Congress' action having frozen the closed shop contracts. It also froze the company union contracts, and the A. F. of L. leaders were quite aware of this. There are many of these leaders, believe it or not, who do not like the closed shop. But the dual unionism which the Wagner Act spawned, particularly as administered, forces the closed shop, otherwise the recognized union is continually subject to attack by a rival union.

The closed shop in the Pacific Coast shipyards was first proposed by the operators. They had a dread of dealing with the CIO which out there is dominated by Harry Bridges, and there is not the slightest doubt that had the CIO been in the yards in the first part of 1941, before Hitler turned on Stalin, they would been the victim of party line quickie strikes.

Aside from the situation that led up to the clipping of the NLRB's wings, you can best understand what it means when you realize that it was the Conservatives in Congress who voted for it, that it is the "Liberals" and Leftists who are screaming. In an appropriation bill the action only holds for a year but the door has been opened and during that time there will very likely be permanent legislation revising the whole Wagner Act. It should be returned to its original and primary purpose, that of guaranteeing a worker the right to join a union without fear of employer retaliation. From this simple and easily administered purpose, administration of the act has grown into one grand and glorious carnival for hundreds of young lawyers just out of school and countless numbers of other lawyers who have found a lucrative practice in specializing in labor law.

Significant, too, is that the A. F. of L. is trying as hard to get from under Bureaucracy's yoke as the U. S. Chamber of Commerce and the National Association of Manufacturers. You would be surprised to know how many A. F. of L. leaders realize that a large part of the sentiment behind the recent Smith-Connally Act was not anti-labor sentiment per se, but a sentiment against the tie-up between labor and F. D.

The A. F. of L., as an organization, has taken mostly grief from this tie-up. These leaders to whom I refer would like the public to understand that the tie-up is between the CIO and F. D.

You will recall that Henry Wallace was one of the first ones to enunciate the philosophy that criticism of the New Deal these days was propaganda for the Axis and the critics were Axis agents in but thin disguise. His recent blast against Jesse Jones made a field day for the Axis radio. Those who keep a tab on the Axis radio report it has not been so jubilant since it expected Britain to capitulate. Milo Perkins prepared the blast and put Wallace up to sounding it. Milo recently remarked to friends that he intended to continue his fight on Jesse because he is an old man and sooner or later, he will have to give up. The feud had its inception back in Houston, Texas, where, when Milo was a very young man, the widespread Jones' interests stepped on his ambitious toes.

The height of a radio commentator's abuse of "freedom of the air" was the action of Drew Pearson who plays ball with Wallace and Perkins, in asking his listeners to write in demanding Jones' resignation.

You will remember that the Leftists' first attack on Jesse was that he was responsible for our rubber shortage. Now it develops we are to have more synthetic rubber next year than we need. The Wallace-Perkins school, as a result, has just found out that the rubber will be defective or unadapted to our purposes. The fact is they have been conducting a do-or-die fight against our having a synthetic rubber industry. It will want tariff protection after the war, they say, and in that event we won't have this world trade. Without world trade we might not have world wars, an awful situation to contemplate.

What And When To Buy

(Continued from first page)

fore, let us assume that the trend of the market is definitely up and consider certain basic rules that govern successful investing.

(1) **Depressed Stocks.** These come first in order. They should represent well-established companies selling for less than the amount of their working capital per share. In such situations, the investor is buying net current assets at a discount and paying nothing for the equipment, earning power, or for the experience and ability of the management. Mack Truck and certain auto accessary companies illustrate this test.

(2) **Dividend Stocks.** No well-balanced portfolio is complete without a backlog of dividend-paying stocks. To be really safe, earnings should—over a normal term of years—amount to nearly twice the established dividend rate in the company selected. Yield and stability are the factors most sought for in this group. But at the same time one can be assured that such stocks will not lag behind in any bull market. Gulf Oil, Monsanto and certain chemicals illustrate this test.

(3) **Low Labor Cost Stocks.** A large number of labor union employees, if headed by unwise labor leaders, make many otherwise attractive companies poor investments. One reason why I have not liked the rail stocks, as a group, is because of the enormous amount of organized labor it takes to run the railroads. As a direct opposite of these stocks, fire insurance stocks appeal to me. They are not much involved with labor unions, and, in proportion to the volume of their business, employ very little help.

(4) **Diversified Stocks.** Investors should, moreover, pay attention to **Long Growth** companies. **Good Management** cannot be emphasized too much. **One Hundred Per Cent Equity** is also always wise to consider. In other words, select companies without bonds or cumulative preferred stocks ahead of the common. Do not be misled by technical and lengthy "write ups" of individual companies. **Diversification is a good guide to good stocks.** Lehman Corporation appears to qualify under this classification.

When to Buy?

There is a factor of timing involved in the buying of stocks which is most important. In my estimate of timing I am entirely disregarding the averages and the chart readers. Today, the so-called PEACE STOCKS are examples of timing in buying. These may represent almost any company that has not profited as a direct result of the War.

I cannot here name individual issues; but, as a group, grocery chains are worth considering. Others may include building supplies companies, certain publishing companies, automobile and personal financing companies, certain utilities and various farm equipment and produce companies. Many PEACE STOCKS have chalked up impressive gains but in the main they have a lot further to go. Whatever may temporarily happen to the market during the next few months, I believe this is a safe time for many investors to buy a diversified number of listed stocks which pass at least one of the above four tests.

Growth Of AIB Cited By Irwin In Address

Because it has always had leaders who held the rooted conviction that ability should not be hampered, that intelligence should be afforded opportunity, and that initiative should be assured its just reward, the American Institute of Banking has grown to its present stature in the opinion of Dr. W. A. Irwin, National Educational Director of the Institute.

In an address before the organization's wartime conference in Chicago on June 10, Dr. Irwin said that the war is "an appalling human tragedy for which it is impossible to find any moral justification." However, he added, let us remember that there are some compensations coming out of it. Dr. Irwin described these as follows:

"There is the outstanding speeding up of aviation which is shrinking our world and making it one human community. There is the development of new and swifter industrial techniques that are amazing the whole world and confounding our enemies. We are seeing what American management can really accomplish, and we know that these improved techniques have in them the promise of 'a more abundant life' for millions of people after the war is won.

"There is also a sense of oneness that has been created in the face of peril. We have found it advisable, not to say profitable, to work with others toward the common end of self-preservation, even with people whose poverty contrasts with our wealth and with nations whose ways of life are different from our own. If we can do these things for purposes of war, surely we can do them for those of peace!

"We are rapidly developing new methods in training and in education which will be invaluable to us in the post-war world to fit men and women very swiftly into a changing economy. Indeed, technical skills are being learned today in a mere fraction of the time formerly taken. What promise that holds!

"There is one other compensation in which we, as Americans, can well take pride, and that is the rediscovery of fundamental things by our own people. We are actually reviving the intense loyalty that earlier Americans had for this land of ours. Patriotism is becoming a characteristic of our people in a sense in which we have lately seemed to be losing it."

FDR's 'Obstinacy' Seen Cause Of Disputes

Alfred M. Landon warned on July 2 that the "obstinacy" of President Roosevelt and the "interdepartmental potshotting" in government bureaus constitute as great a threat to the nation's war effort as absenteeism, strikes, public indifference and overconfidence.

In reporting this, United Press advices from Topeka, Kan., also stated:

The former Kansas Governor and 1936 Republican Presidential nominee said that continuance of such "knockdown bouts as has featured the current feud" between Vice-President Wallace and Commerce Secretary Jones would serve to put the American public in a "turmoil of uncertainty and doubt."

"Now that we are on the offensive on several fighting fronts," Mr. Landon said, "it is not only necessary but imperative that the American home front be solidly united behind the men in uniform."

Referring to the "obstinacy of the President," Mr. Landon added: "Mr. Roosevelt has steadfastly and stubbornly refused to grant his appointees the power and authority to accomplish the job they are supposed to do."

Hat Union Takes 1st Action Under Anti-Strike Bill

In the first action of its kind since the Smith-Connally anti-strike bill became law a Philadelphia union served notice on July 2 of a 30-day "cooling off" period before calling a strike in a war plant. The anti-strike act makes such action mandatory.

In reporting this action, Associated Press Philadelphia advices as given in the New York "Herald Tribune" said:

"The notice was served upon the National War Labor Board, the National Labor Relations Board and Frances Perkins, Secretary of Labor, by Local 6 of the United Hatters, Cap and Millinery Workers' International Union.

"It stated that production of caps for the Army and Navy in the plant of the Diamond Hat Co. faces interruption at the end of the month.

"Simon Lenno, business agent of the union, in his message of notification accused the hat company of 'efforts to destroy and undermine the effectiveness of collective bargaining' and 'persistent refusal to abide by wage adjustments.'

"The cap industry operates under oral agreements, with the 'average wage' the determination point for increases. Mr. Lenno said the contract average in Philadelphia is $40 weekly."

Passage of the anti-strike bill over the President's veto was noted in our issue of July 1, p. 25.

Signs Ind. Offices Bill

President Roosevelt approved on June 26 the $2,621,366,879 Independent Offices Supply Bill. This measure passed the House on Feb. 17 and the Senate on May 27. The delay in its final enactment was occasioned by a controversy over funds for the National Resources Planning Board. The Budget Bureau requested $1,400,000 to run this agency in the 1944 fiscal year. The House failed to vote any funds for its continued operations, whereas the Senate was in favor of running the Board on a vastly reduced scale, providing $200,000. In the final version, the bill provides $50,000 to wind up the Board's affairs by Aug. 31. A conference report to this effect was adopted by the House on June 16 and by the Senate on June 18.

U. S. And Mexico Extend Stabilization Agreement

Extension of the 1941 Stabilization Agreement between the United States and Mexico for a period of two years beyond June 30 was announced in Washington on June 3 in a joint statement issued by Secretary of the Treasury Morgenthau and Antonio Espinosa de los Monteros, representing the Secretary of the Treasury of Mexico. Also signing the extension agreement for Mexico was Rodrigo Gomez, the representative of the Bank of Mexico.

Under the agreement the United States Stabilization Fund undertakes to purchase Mexican pesos to the amount of $40,000,000 for the purpose of stabilizing the U. S. dollar-Mexican peso rate. The agreement also provides for periodic conferences among representatives of the two treasuries and the Bank of Mexico.

The joint statement said:

"The extension of the 1941 Agreement is in accord with the policy of the Mexican and the United States Treasuries of maintaining the stability of the rate of exchange between the currencies of the two countries. In so doing, the foundation for stable economic and financial relations between Mexico and the United States is maintained. It is a concrete demonstration of what is meant by the Good-Neighbor Policy and of the ability of the United States and Mexico to cooperate effectively as allies in war."

Lend-Lease Shipments To Russia Extensive

Edward R. Stettinius, Jr., Lend-Lease Administrator, on June 14 issued the following statement on the subject of lend-lease materials shipped by the United States to Soviet Russia, in the 19-month period ended April 30, 1943:

"Our most recent figures indicate that lend-lease is providing vital assistance to the Soviet army in the field, the vast industrial population behind the lines, and the men and women who are rebuilding Russia's agricultural life where it was badly damaged by invading troops.

"The most important single contribution of lend-lease to the Soviet ally is completed weapons —tanks, planes and guns, by the thousands. These have been shipped over a variety of routes, and many of the planes have been flown all the way or assembled en route after being delivered part way in American ships. Against the enemy they have made themselves felt with effectiveness.

"A close second in importance as a vital contribution to the Russian offense has been the volume of raw materials shipped by lend-lease and fabricated into weapons of war by Russia's own industrial plants. Of these materials, the largest single item up to April 30 was 725,000 tons of steel and steel products, followed by 145,000 tons of copper, brass, nickel, molybdenum and other materials, 60,000 tons of aluminum and duraluminum, and 32,000 tons of zinc.

"The vastness of the area in which lend-lease goods for Russia are to be used is reflected in the single item of telephone wire. Up to April 30 shipments of this material had totalled 670,726 miles, an amount sufficient to encircle the earth at the equator 27 times. And in the field, maneuvers are facilitated by 181,875 field telephones shipped to date. The Soviet railroad system, vital to the transport of men and materials, has received through lend-lease, 85,000 tons of rails and accessories, and 27,000 tons of other equipment. As a further aid to Russia's transportation system, we have shipped more than 135,000 motor vehicles (including trucks, motorcycles, tractors, scout cars, personnel carriers, tank transporters, etc.). In producing the vast quantities of ammunition needed by the Soviet army, Russia's factories have been helped by lend-lease shipments of 62,000 tons of toluol and TNT, and 105,000 tons of other chemicals.

"Russia must maintain hundreds of thousands of men in the field, and as an aid to their upkeep we have shipped 1,077,000 tons of food, the most important item of which is 233,052 tons of wheat and wheat products. We have also shipped 196,660 tons of canned meat, 89,113 tons of meats other than the canned, 99,010 tons of dried fruits and vegetables, 61,804 tons of lard, 26,316 tons of dried eggs, 47,355 tons of cereals and cereal products, 13,470 tons of dried milk powder and 96,423 tons of vegetable oil.

"Large as food shipments have been they have been small in comparison with the critical Russian needs. The Soviet is making heroic efforts to restore food production in the areas liberated from the Axis and to raise more food in newly developed regions behind the Urals. To aid these efforts we have sent more than 10,000 tons of seeds.

"The Russian army has been supplied through lend-lease with nearly 4,000,000 pairs of boots, and 21,410 tons of sole leather to keep them in repair and for the manufacture of new boots."

$1,573,000,000 Spent Abroad By RFC

Subsidiaries of the Reconstruction Finance Corp. have spent $1,573,000,000 on foreign purchases and development work, much of it as a result of directives issued by two officials of the Board of Economic Warfare, Will Clayton, Assistant Secretary of Commerce, told the Byrd Economy Committee on June 22, according to the Associated Press, which added:

"Expenditure of more than twice that total has been obligated. Mr. Clayton said the Rubber Reserve Co., Metals Reserve Co., and other subsidiaries of the big Government financing agency had made commitments since July, 1940, for the purchase of $3,400,000,000 worth of critical and strategic materials from foreign countries.

"Mr. Clayton appeared for his chief, Secretary Jones, to answer questions of the Byrd group—known formally as the Joint Committee on Reduction of Non-Essential Federal Expenditures—concerning the financial relations between the war-born BEW and the RFC.

"He said that since an executive order was issued April 13, 1942, defining BEW's duties, it had initiated commitments aggregating $350,000,000 for various development and purchase programs. Most of the directives, he testified, were signed by Morris Rosenthal, chief of BEW's office of imports, and by Arthur Paul, Mr. Rosenthal's assistant.

"The four RFC subsidiaries which carry out the bulk of BEW's directives, he added, are the Metals Reserve Co., the Defense Supplies Corp., which handles non-metallic purchases, the U. S. Commercial Co., principally interested in preclusive purchases of materials which it is desired to keep out of the hands of the enemy, and Defense Plants Corp.

"'Were you consulted about the various development programs carried out by the BEW?' Chairman Byrd (Dem., Va.) asked.

"'Members of our staff were allowed to express their views,' Mr. Clayton replied, 'but they were very seldom adopted. There have been numerous instances where our views differed materially—but theirs prevailed.'

"Responding to questions, Mr. Clayton testified that:

"In general, no funds have been advanced for erecting housing and supplying living quarters for workmen in foreign countries.

"A labor clause incorporated in many of the contracts obligates the contractor to pay wages at least as high as those paid for any comparable operations in the country in question.

"He knew of no cases in which incentive payments had been made to the workmen, although provision is made for them where necessary.

"Discussing other angles of the program, Mr. Clayton said the U. S. Commercial Corp. already had spent about $35,000,000 in Spain, $9,000,000 in Portugal and $17,000,000 in Turkey.

"In general, he expressed the belief that there had been no noticeable increase in efficiency under the present system where purchases are made by BEW directives."

Zurlinden, Arnold Retire From Cleve. Reserve Bank

The Directors of Federal Reserve Bank of Cleveland announce with regret the retirement of Frank J. Zurlinden, First Vice President, and of Clarence W. Arnold, Vice President, effective July 1. Both of these men have, for many years, been outstanding officers of the bank and of the Federal Reserve System.

Regarding their careers, the Bank's announcement on June 1 stated:

"Mr. Zurlinden reached retirement age in July, 1942, but at the request of the directors of the bank served an additional year. On March 5 of this year he announced to the board his difinite intention to retire at the end of June. His banking experience dates back to June, 1895, when he was employed by the State National Bank of Cleveland as a messenger, and from which he advanced to loan teller. Upon the absorption of the State National Bank by the Euclid Park National Bank, Mr. Zurlinden was retained in the same capacity. Upon the absorption of the Euclid Park National Bank by the First National Bank of Cleveland, Mr. Zurlinden continued as loan teller. From May, 1913 to December, 1914, he was manager of the loan and discount department of the First National Bank of Cleveland. Mr. Zurlinden was employed by Federal Reserve Bank of Cleveland on Dec. 7, 1914 (less than a month after the bank opened for business) in charge of the loan and discount function of the bank. He has successively been Assistant Cashier, Assistant to the Governor, Deputy Governor, and since March 1, 1936, First Vice President.

"Mr. Arnold is a native of Pennsylvania, and prior to his connection with the Federal Reserve bank in 1917, was employed by the Pennsylvania Railroad, the Lincoln National Bank and the Diamond National Bank of Pittsburgh, and the Freehold Real Estate Co. of Pittsburgh, with which he served as Secretary and Treasurer. Between 1912 and 1917 he was a salesman identified with various companies. Since his employment with the bank Mr. Arnold has been in the fiscal agency department. He has served as Assistant Cashier, Assistant Deputy Governor, Assistant Vice President, and Vice President."

At the same time the Bank announced the following changes of the official staff at the main office to become effective July 1, 1943:

"R. B. Hays, Vice President and Secretary, succeeds Mr. Zurlinden as First Vice President for the unexpired term of Mr. Zurlinden, ending Feb. 28, 1946.

"A. H. Lanning, Cashier, has been promoted to Vice President and Cashier.

"H. E. J. Smith, Assistant Cashier, has been promoted to Assistant Vice President.

"W. D. Fulton, Chief Examiner, has been promoted to Assistant Vice President."

American Institute Of Chemists Elects

At the annual meeting of the American Institute of Chemists, held in Chicago, Donald B. Keyes, Chief of the Chemical Industries Branch, Office of Production, Research and Development, War Production Board, and Raymond E. Kirk, Brooklyn Polytechnic Institute, were elected to serve three-year terms as Councillors of the Institute, and Frank G. Breyer, of Singmaster & Breyer, was reelected to serve in the same capacity. These elections fill the councilors' terms expiring in 1943. Frederick A. Hessel, President of the Montclair Research Laboratories, was designated Treasurer.

Other officers of the American Institute of Chemists are President Gustav Egloff, Universal Oil Products Co.; Vice President, Donald Price, National Oil Products Co.; Secretary, Howard S. Neiman, patent attorney and editor of "Textile Colorist"; Councilors at large, Donald H. Andrews, Professor of Chemistry, Johns Hopkins University; Stuart R. Brinkley, Associate Professor of Chemistry, Yale University; Harry L. Fisher, Director of Organic Research, U. S. Industrial Chemicals, and The Air Reduction Co.; Frank O. Lundstrom, Bureau of Plant Industry, U. S. Department of Agriculture, Beltsville, Md.; Robert J. Moore, Manager, Development Laboratories Bakelite Corp.; Foster D. Snell, President, Foster D. Snell, Inc.; W. D. Turner, Assistant Professor of Chemical Engineering, Columbia University.

Upturn Of Life Ins. Sales Contributing To Inflation Fight

An increase in the amount of life insurance currently being purchased by the American people, together with the record low rate of withdrawals by policyholders of cash values, is giving greater weight to the inluence of life insurance in diverting money from spending into savings channels, according to the Institute of Life Insurance. It estimates that total premium payments, which amounted in 1942 to approximately $4,250,000,000, may absorb this year as much as much as $4,450,000,000 of the excess money in the hands of the people.

"Because of the anti-inflationary influence of life insurance, one of the more permanent forms of saving, the upturn in life insurance sales which began to run ahead of 1942 figures in March, is of national significance," Holgar J. Johnson, President of the Institute said. He went on to say:

"There are a number of factors which are likely to contribute to a further expansion of life insurance purchases by the American people, of which the two most important are the rapid increase in cash savings, estimated by the Securities and Exchange Commission as $4,300,000,000 in the first quarter of the year, and the curtailment of the volume of goods available for purchase by the people. Furthermore, as families have satisfied their accumulated wants from increased earnings, they are now developing greater interest in saving and planning for their future. There is increasing emphasis too by government and business on the necessity for increased saving to win the war and assure the peace.

"The record shows that the agents have overcome the handicaps incident to the dislocations of the first year of war. The importance of their accomplishment can best be appraised in the light of the fact that more than 7,000,000 men who would normally be viewed as good prospects for life insurance had been withdrawn into the armed forces. Furthermore, the increase has occurred notwithstanding a reduction of more than 15% in the number of agents due to induction into the armed forces, or entry into war production or other war service."

The net increase in the pooled resources of 67,000,000 policyholders is frequently cited as constituting the anti-inflationary measure of life insurance. From the standpoint of absorbing purchasing power, however, the Institute points out premiums paid are really the aggregate contribution of life insurance to the anti-inflationary effort, because they measure the purchasing power set aside by these policyholders.

New Freight Cars On Order Declined During May '43

Class I railroads on June 1, 1943, as reported to the Car Service Division, had 33,537 new freight cars on order, the Association of American Railroads announced June 21. This compares with 34,262 on order on May 1, last, and with 49,548 on June 1, 1942. Of the total number on order on June 1, this year, there were 3,494 plain box; 2,525 automobile box; 7,183 gondolas; 18,457 hoppers; 200 stock and 1,678 flat cars.

New locomotives on order on June 1, this year, totaled 937, which included 418 steam, seven electric, and 512 Diesel locomotives. On June 1, 1942, they had 950 locomotives on order which included 395 steam and 555 electric and Diesel.

Class I railroads put 7,484 new freight cars in service in the first five months of 1943, compared with 44,546 in the same period last year. Those installed in the five months of 1943 included 2,385 hopper, 3,504 gondola, 1,033 flat, 135 automobile box, 379 plain box, one stock and 47 miscellaneous freight cars.

The railroads also put 251 new locomotives in service in the first five months this year, of which 178 were steam, eleven electric, and 62 Diesel. New locomotives installed in the same period last year totaled 292, of which 119 were steam and 173 were electric and Diesel.

Now WAC

The signing by President Roosevelt was announced on July 2 of the bill making the Women's Army Auxiliary Corps an integral part of the Army instead of an auxiliary. Final Congressional action on the measure came on June 29 when the Senate adopted a conference report which the House had approved on June 25.

The measure changes the name of the organization from the familiar WAAC's to the WAC's (Women's Army Corps).

The legislation provides that members of the Corps receive the same rights, benefits and privileges now accorded to the men of the Army. It also provides that officers of the Corps are to have the regular army terms for their officers rather than the courtesy titles. Mrs. Oveta Culp Hobby, commanding officer of the Corps, has been sworn in with the full rank of Colonel.

The bill also changes the age limits for enlistment, making the eligible those between the ages of 20 to 50 years. The total number in the Corps is no longer limited to 150,000 women, but will be determined by the President. The WAAC now has a membership of about 65,000 but has requests for 600,000 from the various branches of the army to replace that number of men for active duty on the battlefronts. Thus, a drive for 535,000 new recruits is in progress.

U. S. Submits Plan To United Nations For Relief Of War-Torn Countries

The first step, in the establishment of a central agency for the relief and rehabilitation of the war-torn countries which are to be retaken from the Axis, was announced by the State Department on June 10. The Department has circulated a draft agreement among all the United Nations and associated nations, after its terms had been agreed upon by the governments of the United States, Great Britain, Soviet Russia and China, said the New York "Herald-Tribune" of June 11, which also gave the following:

The tentatively agreed-upon relief document will form the basis for a further agreement to be reached at a conference of the 44 nations to be held soon in the United States at a place which has not yet been designated.

Under the terms of the document, a United Nations Relief and Rehabilitation Administration is to be set up to meet by united action, as far as it can be done, the pressing food, clothing, shelter, health and repatriation problems of the liberated peoples and to assist them to get on their feet and become self-sustaining once again.

Each government, to the extent of its resources, would provide the funds, materials, equipment, supplies and services for these purposes. Although it is in form an executive agreement and not a treaty, participation by each country would be specifically subject to the "requirements of its constitutional procedure." This means that Congress would have to pass regular appropriation bills to take care of the costs to be borne by the United States.

Each member-government would name one representative to sit on the council, which would be the policy-making body of the administration. Inside the council there would be standing committees for supplies, for Europe and for the Far East, as well as a central committee to exercise the functions and powers of the council between sessions.

The director-general, to be appointed by the council after unanimous nomination by the central committee, would have authority for carrying out the broad policies laid down by the council and its central committee.

The committee for Europe would replace the Inter-Allied Committee on European Post-War Relief established in London on Sept. 24, 1941.

An annual budget would be submitted by the director-general covering the necessary administrative expenses. Upon approval by the council the total amount provided would be allocated to the member-governments in proportions to be determined by the council.

"Each member-government pledges itself, subject to the requirement of its constitutional procedure, to contribute to the administration promptly its share of the budget," the draft says.

Activities of the administration would be subject to the consent and control of the military authorities wherever hostilities or military necessities continue and also subject to the consent of a member-government in territory wherein it exercises administrative authority.

Record Employment Of 60,900,000 In April Brought About By Seasonal Farm Expansion

Seasonal expansion of operations on the farm front brought total employment to an all-time high of 60,900,000 in April, according to the regular monthly survey of employment by the National Industrial Conference Board, issued June 21. Nearly 900,000 of the 1,300,000 workers taken on during the month went directly into farm work, while most of the other new recruits entered the armed forces. Total industry employment declined by more than 160,000 during the month, while the increase in factory employment was the smallest recorded since Pearl Harbor.

The Board's announcement further stated:

"Farm employment in April despite an increase to 9,900,000, was about 250,000 lower than in the same month of the preceding year, and roughly 750,000 lower than in 1937-1939. Hired farm workers numbered slightly more than 2,000,000, about 150,000 or 7% below the corresponding 1942 total. Farm family workers, including farm operators and their family members, doing work without wages, totaled 7,800,000, or nearly 100,000 less than in 1942.

"A minor slump in employment developed in most of the major manufacturing groups. Significant gains appeared only in two groups—aircraft and shipbuilding, and chemical products. Practically all of the gain of nearly 50,000 in the durable sector occurred in the transportation group, slight declines appearing in iron and steel and other war industries, as well as in consumer products, such as furniture.

"Fully 7,500,000 more persons were employed at the record April high than in the same month a year ago. Last year there were still nearly 1,750,000 numbered among the unemployed. In contrast, the current employment total exceeds by more than 5,000,000 the number of persons comprising the nation's labor force in peacetime. The strength of the armed forces was tripled in the interim, rising to over 8,000,000. About 2,000,000 were taken on in factories, and more than 1,000,000 were added to civilian government payrolls.

"The current level of employment in agriculture is lower than in World War I. Factory employment is nearly 5,000,000 higher, or nearly half again the total of the war effort of a generation ago, while federal civilian employment exceeds 3,000,000 as against 918,000 on Nov. 11, 1918. The armed forces are currently nearly double the corresponding total at the height of the last war. Farm employment in 1942, however, was almost 350,000 below its 1918 average, and has remained below its 1942 level since the beginning of this year.

"Federal civilian employment continued to expand in April, as nearly 34,000 persons were added to the payrolls during the month."

Time Extended For Mexican Bond Registry

The Mexican Government has extended for 60 days beyond June 30 the time within which Mexican securities must be presented for registration as to non-enemy ownership. The New York Stock Exchange, advised of this by the attorneys for Mexico, accordingly, amends its previous ruling to provide that, beginning Aug. 16, such Mexican bonds listed on the Exchange shall not be a delivery unless a Certificate of Registration is attached. The Stock Exchange had directed that this certificate must be attached beginning June 30.

The Mexican plan for redemption of service on its external public debt was referred to in these columns July 1, page 33.

Reserve Banks Aiding Victims of Flood

The Federal Reserve Bank of St. Louis, acting under authority of Section 8 (h) of Regulation W, on June 14 declared that an emergency exists affecting a substantial number of inhabitants in all those portions of the Eighth (St. Louis) Federal Reserve District inundated by flood waters during May and June. The Bank under date of June 14 said:

"Accordingly, any extension of credit to finance the repair or replacement of real or personal property, damaged or lost as a result of the floods of May and June, in the designated stricken area in this District, is exempt from the provisions of Regulation W. In order that the status of such extensions of credit may be definitely established, registrants who extend credit under the provisions of this designation are urged to retain in their files written evidence or a statement from the obligor substantiating the exemption from Regulation W of the credit so extended.

"The Federal Reserve Banks of Chicago and Kansas City have concurrently declared that similar emergencies exist in those portions of the Seventh and Tenth Federal Reserve Districts, respectively, inundated by the floods of May only."

Kermit Roosevelt Dies

Major Kermit Roosevelt, son of the late President Theodore Roosevelt and veteran of both British and American service in two world wars, died on June 5 in Alaska, the War Department announced on June 6. He was 53 years old. No details concerning the circumstances of his death were given out. United Press Washington advices had the following incident to his activities:

Major Roosevelt had been on active duty with American forces in Alaska for several months.

The War Department said Major Roosevelt was on unattached duty and was not assigned to any specific branch.

In World War I, Major Roosevelt did not wait for the United States to enter the conflict but joined the British Army and became a command captain in 1917. When his country joined the Allied cause, he transferred to the American Army.

He followed the same sequence in World War II. Impatient with his country's delay in getting into the struggle, he joined the British forces and was made command major in the Middlesex regiment on Oct. 10, 1939. He participated in the ill-fated British campaign in Norway.

He returned to the United States in June, 1941, and later went on active duty with the U. S. Army.

In the first World War, Kermit Roosevelt served with a British motor machine gun unit in Mesopotamia and later with the First American Division. He was honorably discharged in March, 1919.

After a period of service with the British in 1939, he became a colonel in the Finnish army to raise volunteers in England for the Finnish War against Russia in 1940. He returned to the British Army for the Norwegian campaign and later went to Egypt. He was invalided to England in December, 1940, subsequently returning home.

Kermit Roosevelt accompanied his father on a big-game hunt in Africa in 1909-10 and on an exploration trip on the "River of Doubt" in Brazil in 1914. Years later he hunted giant pandas in Asia.

Major Roosevelt engaged in engineering and banking in South America from 1911 to 1916, and later went into maritime fields, becoming President of the Roosevelt Steamship Co. and Vice-President of the U. S. Lines Co.

President Roosevelt Calls Mussolini Betrayer And Appeals To Italy To Get Out Of War

President Roosevelt said on June 11, after the surrender of Pantelleria that this was very good news and appealed, indirectly but strongly at the same time, to Italy to get out of the war, according to an Associated Press dispatch from Washington on June 11, which added:

He told a press conference that the allies could assure to the Italian people an opportunity to choose the kind of non-Nazi-non-Fascist government they wish after Fascism has been put down and the Germans have been driven from their territory.

It is the hope and the intention of the United Nations, Mr. Roosevelt said, that Italy be restored to nationhood and take her place as a respected member of the European family of nations.

The President made it obvious that he considered Mussolini and his aids, rather than the Italian people, responsible for Italy's position in the war. He said that the present Anglo-American campaign against Italy was the inevitable result of the ruthless course Mussolini had followed in the last few years. In forming a military alliance with Germany, Mr. Roosevelt declared, Mussolini had betrayed his own country in a struggle for personal power and aggrandizement.

Mussolini's acts were not those of the Italian people, he went on to say, but a succession of acts committed by his personal Fascist regime. The people of the country are largely devoted to peace, President Roosevelt said.

Mussolini's whole policy was illustrated, he continued, by his declaration of war against France and Britain. Harking back to the day when Italy took this step, the President recalled that he had described it as a stab in the back.

The Allies, he said, have no choice but to pursue the war against Italy and Mussolini until they have achieved complete victory.

Only when the Germans have been driven out and Fascism is abolished will the good judgment of the Italian people make itself evident, he said.

Army Shipping Record Surpasses Last War's

That the Army is doing vastly more in supply and transportation in this war than in the last was indicated on June 10 by Maj. Gen. Charles P. Gross, Chief of the Transportation Corps, who disclosed that more than 18,000,000 measurement tons of cargo have been shipped overseas, or twice as much as was shipped during the entire period of United States participation in World War I.

In an address before a special meeting of the Chamber of Commerce of the State of New York, Gen. Gross said that, to date, in this war nearly four times as many troops have been moved by rail in this country as were moved in the same time during the last war and that Army freight shipped by rail has increased in approximately the same ratio. He added that "the record is all the more remarkable when the conditions which we have had to face and overcome in this war are compared with those which obtained during the first World War."

In explaining some of these conditions, Gen. Gross stated:

"We had a relatively stable front then. Operations were concentrated in a single theater and shipping was largely confined to the North Atlantic. Today, our operations embrace the Seven Seas and spread into every corner of the globe. We literally cover the earth. The average overseas haul is twice as long as in 1917 and 1918. Army vessels put into more than 100 foreign ports of call, many in strange and distant places, and many having only the most primitive unloading facilities. Guadalcanal, Espiritu Santo, Noumea, Amchitka, and others whose very names breathe adventure and excitement, are cases in point. As may well be imagined there were no harbors fitted out for unloading on Attu, which, only recently, was visited by our fighting forces with results now known to all of us.

"Again, in the last war approximately 40% of the requirements of the AEF were obtained abroad, whereas in this war our troops are being supplied almost completely from this side and, in addition, we are furnishing enormous quantities of materials to our allies all over the world. The Arsenal of Democracy is no mere felicitous phrase—it is a living reality. The peacetime industry of this country has become a mighty forge of war.

"Today's shipping problems are also greatly magnified as a result of developments in modern warfare and its emphasis on mechanization. Equipment is more technical in character and a very large part of Army cargo consists of bulky, space-eating items, such as planes and tanks and landing craft, which present difficulties in the way of loading and stowage without parallel in the last war.

"Finally, we have had to face a far more deadly and intense submarine activity. Germany, fully aware of the major role of transportation, has centered a large part of its war effort around attacks on shipping. Modern submarines, with longer range, greater striking power and more advanced wolf-pack fighting techniques, lie in wait to check the flow of troops and supplies to battle fronts overseas. Despite all these difficulties, we are winning through.

"We had to better the record of the first World War, but it is no accident that we have been able to do so. It could not have been done without rigid adherence to the basic policy of centralized and integrated traffic control which I have already described. We learned the lessons of World War I, chief among them being that lack of effective regulation would inevitably lead to chaotic traffic tie-ups. As a concrete example, during the last war traffic destined for the eastern seaboard was paralyzed as far back as Chicago, at one time more than 200,000 loaded freight cars being immobilized by congestion in that area. No such situation has existed during this war. Despite the far heavier volume of traffic, the ports are kept in a constantly fluid state and with not more than 15,000 cars of export freight—a minimum working stock—waiting to be unloaded behind the East Coast ports. The gateways are being kept clear."

Steel Welding Wire Doubled 1941 Output

Production of steel welding wire by the steel industry in 1942 reached approximately 800,400,000 pounds, almost double the record output of 1941, when 453,120,000 pounds were produced, according to the American Iron and Steel Institute. The 1942 output was more than three times that of 1940.

For each ton of finished steel produced in 1942, almost 13 pounds of welding wire were made, compared with over seven pounds in 1941, five pounds in 1940, and 4.9 pounds in 1938, the year before the outbreak of war in Europe.

Essential War Production Endangered By Draft According To Conference Board

The drafting of all physically fit industrial workers and executives under 38 years of age threatens a serious curtailment of essential war production, according to a survey of 212 representative companies engaged on war contracts, made by the National Industrial Conference Board and made available June 23. Replies to an inquiry on probable draft effects, supplemented by personal interviews with industrial executives reveals the critical manpower situation which industry will face as a result of the continued withdrawal into the armed forces of all types of employees, especially those of advanced skills and technical and supervisory status.

The Board's announcement further said:

"The replies of responsible company executives show that the effect of such withdrawals up to the present is already a matter of serious concern to more than half of the 212 companies, representing approximately 650,000 workers in a wide range of industries that cooperated in the survey. Three-fourths of these companies are currently engaged 100% in war production. Of the remainder, all but two companies are engaged 75% or more in producing essential materials for the armed forces. Statements made by industrial leaders in many of these companies show that skilled workers are even now urgently needed in order to operate machines at the pace prescribed by War Production authorities.

"Especially significant are the figures given by companies showing the number of additional men under 38 which they can relinquish to the armed services without endangering their war production schedules. Replies were made on the basis of grades of employment ranging from unskilled through skilled, technical, supervisory and executive. Further loss of manpower would be felt most seriously in the executive class, according to 68% of the companies which stated that no further withdrawals can be made from this group without gravely hampering production. More than 50% of the companies stated that no further withdrawals from either supervisory or technical groups could be made without retarding production schedules. Less critical would be the loss of men from the skilled and unskilled grades. In the former grade, 29% of the companies indicated that no additional losses of manpower could be made without serious effect; only 16% of the companies reported that no further demands could be made on their unskilled workers without injury to production.

"Not a single company stated that it could continue to maintain production schedules with a loss of all employees under 38 (except unskilled). Several companies assert that if this should occur, their plants would be forced to close. None reported themselves able to maintain production with the loss of more than 75% of their technical, supervisory and executive staffs. Only two companies believed that they could avoid curtailment if they lost more than 75% of their draft-age skilled workers."

Navy To End Elk Hills Oil Development Contract

Secretary of the Navy Knox announced on June 17 that steps will be taken to terminate the Navy's contract with the Standard Oil Co. of California for mutual development of the Elk Hills (Calif.) oil reserve. In Associated Press advices from Washington, June 18 it was stated:

"The decision to terminate the contract was announced by Secretary Knox last night after Norman M. Littell, Assistant Attorney-General, had told the House Public Lands Committee that the Navy had exceeded the authority granted it under a five-year-old oil conservation law, and the contract therefore was illegal and void.

Secretary Knox is reported as saying:

"The agreement to terminate the contract was due to the legal opinion of the Department of Justice that the proposed arrangement exceeded the authority granted by the law." He added that the Navy had sought by the pact to conserve oil for the fleet, and emphasized that "no improprieties had been employed by either party to the negotiations."

In Associated Press Washington advices, it was reported:

H. D. Collier, President of Standard Oil of California, said that the agreement was fair to both parties and was in the public interest. He declared that the company was anxious to cooperate with the Navy in every way possible in serving the best interests of our country.

The agreement provided for operation of the field as a unit owned in part by the Navy and in part by the company. Secretary Knox said that the terms would have enabled the Navy to control production or shut down the output altogether, if necessary.

"Without co-operation between the parties, the operation of Standard Oil Company's wells would drain oil from Navy-owned lands, impairing their value," the Navy said.

Secretary Knox declared that there was nothing secret about the contract; that it was announced last December and described in trade journals.

Secretary of the Interior Ickes was asked last March to review the contract, and the papers then were referred to President Roosevelt who sent them to the Justice Department for a ruling.

Secretary Knox said that his own investigation established the fact that no improprieties had been employed by either party and he said the acting Attorney General concurred.

"The Navy regards the protection of the future petroleum supply for the fleet as a primary responsibility," the Secretary said. "It proposes to pursue this objective until this end is assured."

House Group Approves U. S. Participation In World Peace Plan

The House Foreign Affairs Committee has approved a concurrent resolution to put Congress on record as favoring United States participation in a post-war international organization to preserve peace.

The House group acted unanimously on June 15 on a resolution drafted by Representative J. William Fulbright (Dem., Ark.). The concurrent resolution, only consisting of one sentence, would have no force of law and would not require the approval of President Roosevelt. It follows:

Resolved by the House of Representatives (the Senate concurring), that the Congress hereby expresses itself as favoring the creation of appropriate international machinery with power adequate to establish and to maintain a just and lasting peace among the nations of the world, and as favoring participation by the United States therein.

Business Failures Again Lower In May

The record of May business failures continued along the lines that have been in evidence for some time and are smaller in both number and amount than a month and a year ago. Business insolvencies in May, according to Dun & Bradstreet, Inc., totaled 281 and involved $2,550,000 liabilities, as compared with 362 involving $3,523,000 in April and 955 involving $9,839,000 in May, 1942.

The decrease in the number of failures in May from April as well as the amount involved took place in all groups into which the report is divided with the single exception of the wholesale trade group, which had a larger amount of liabilities involved.

Manufacturing failures last month amounted to 48, involving $826,000 liabilities, compared with 61 in April with $1,105,000 liabilities. Wholesale failures decreased to 23 from 24 but liabilities increased to $308,000 from $211,000 in April. In the retail trade section insolvencies declined to 156 from 195 in April and liabilities dropped to $756,000 from $1,031,000 the previous month. Construction failures numbered 35 with $267,000 liabilities, which compares with 54 with $597,000 liabilities in April. Commercial service failures numbered 19 in May, as compared with 28 in April and liabilities decreased to $393,000 in May from $579,000 in April.

When the country is divided into Federal Reserve Districts it is seen that all districts had fewer failures in May than in April except the Richmond and St. Louis Reserve Districts. When the amount of liabilities is considered, the same is true. It might also be noted that both the Kansas City and Dallas Reserve Districts did not report any failures at all and the Richmond Reserve District had only five failures involving $158,000, compared with no failures in April.

Endorses Child-Care Bill

President Roosevelt has endorsed the war-area child care bill to assure adequate health and welfare services for the children of mothers employed in essential war jobs.

This was disclosed on June 21 by Dr. Katherine McHale, Director of the American Association of University Women, who made public a letter from the President regarding the bill introduced by Senator Thomas (Dem., Utah).

In Washington advices of June 21 to the New York "Times", it was stated:

Replying under date of June 17 to Mrs. Harriet Ahlers Houdlette, of the Association, who had written him on behalf of the proposed plan of Federal aid to the States to finance approved programs of State and local agencies, President Roosevelt expressed his thanks for "the careful consideration which the American Association of University Women and the Association for Childhood Education are giving to the important problem of providing care for children of mothers who must be employed during the war."

"Because of the difficulty of specifying in an appropriation bill the conditions under which this important program would operate," he continued, "its purposes and methods of administration have been further clarified in Senate Bill 1130, recently introduced by Senator Thomas of Utah. The Senate Committee on Education and Labor is considering this bill.

"I am glad to know that you concur in the proposal to develop these wartime services through full utilization of the resources of existing agencies concerned with the education, welfare and health of children."

April Munitions Output Advanced 7%— Nelson Reports Better Balance In Production

Munitions output in April advanced 7% over March, with all major categories produced in larger quantity, it was announced on June 7 by Donald M. Nelson, Chairman of the War Production Board, in his tenth monthly report. War production during April, which had one less working day than March, was in better balance than at any time since Pearl Harbor, Mr. Nelson explained, adding that there were still some objects produced in excess of expectations, but in others output lagged badly.

Mr. Nelson's report further said:

"Total output of munitions in April approached very closely the $5,000,000,000 mark. The Index of Munitions Production rose to 567.

"The aircraft program, which is the largest of all programs and calls for more rapid progress than any other, showed the largest dollar volume gain. But although the output of aircraft and related munitions in April reached a total of $1,649,000,000, or 33% of all munitions produced, it did not quite meet the month's objectives.

"High achievement was attained in the output of ground signal equipment, which rose in April 22% over March output, although production of some items declined during the month.

"Aircraft ordnance production also advanced rapidly. It was 14% higher than in March, largely due to a tremendous increase in the manufacture of heavy aerial bombs for Axis delivery.

"A great spurt also was made in production of ammunition for the 'bazooka' anti-tank guns. Summed up the April production score was:

Total Munitions	up 7%
Aircraft Ordnance	" 8
Ground Ordnance	" 4
Navy and Army Vessels	" 3
Merchant Vessels	" 11
Miscellaneous Munitions	" 11

"The 7% increase in munitions production in April was somewhat more than can be expected as an average at this stage of the program. By the end of this year the monthly rate of increase in munitions output probably will have tapered off considerably, and sometime next year we expect to reach maximum output. Individual months, of course, will fluctuate above and below the average gain.

"Manufacture of artillery reached a greater volume in April than is scheduled for any month this year or next. Production of merchant vessels is near maximum, and greatest output of airplanes will not be attained until next year unless changes in military strategy call for alteration in the program.

"Although deliveries of industrial machinery and equipment expanded in April, beginning in May they were scheduled to begin a series of declines which, by the end of the year, would taper off the manufacture of such equipment to less than 40% of April volume.

"Since the beginning of 1943 we have made steady progress in attaining a sounder production balance. Schedules have become more and more realistic, and have dovetailed more closely with each other so that over-all munitions output might be increased, although further tightening up of schedules is essential.

"This balancing becomes vitally important as maximum output is approached, since overproducing on one schedule will almost certainly mean underproducing on another.

"For this reason, the new component scheduling procedures, which have just been announced, are of very great importance. The fact that cooperation under these procedures is voluntary places a tremendous responsibility upon every manufacturer of critical components."

National War Fund To Seek $125,000,000

The National War Fund has fixed a goal of $125,000,000 for its first campaign to be launched in the Fall on behalf of the United Service Organizations and 18 other agencies engaged in home and foreign relief. This was announced on May 28 at a luncheon meeting at the Waldorf-Astoria in New York where plans were discussed for conducting the drive for funds between Oct. 1 and Nov. 20.

President Roosevelt called for support of the campaign in a message read to the meeting by Winthrop W. Aldrich, President of the Fund. Regarding his message, the New York "Times" of May 29 said:

Declaring that "all Americans and all American institutions are united in their determination to win this war," the President pointed out also "that unity and devotion are shown in the National War Fund."

The purpose of the fund, he pointed out, is "to present to our people an appeal for service to our fighting forces, for service to the unconquerable people of the United Nations and for service to the home front in the United States.

"The United Service Organizations, the other agencies devoted to the common war aim in foreign lands, and those guiding the families of service men and war workers and their families toward necessary health, welfare and recreation—all these are joined in one campaign," the President said.

"With the strength of union, the economy of federation and the backing of traditionally generous America," he continued, "the National War Fund, like all essential parts of our war effort, must be given abundant and prompt support toward its goal."

"As Commander in Chief," he said, "I ask all our people to remember this—that a share in the National War Fund is a share in winning the war."

John D. Rockefeller, Honorary Chairman of the USO, told the meeting of the contribution that organization had made to the armed forces both at home and abroad.

Heads Advertising Women

At an election of the office Council on Women's Advertising Clubs, held June 30 at the 39th annual meeting of the Advertising Federation of America in New York City, Sally Woodward, in charge of consumer relations, Department of Public Service, General Mills, Inc., Minneapolis, was elected Chairman. By virtue of this election Miss Woodward becomes a Vice-President of the Advertising Federation of America.

In accepting the office Miss Woodward said: "I believe that the women in advertising have an opportunity to make a great contribution to expedite war service in their own community. That is their immediate job and as Chairman of the Council on Women's Advertising Clubs I will devote all of my efforts to helping the clubs do their part to win the war on the home front."

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following tables:

MOODY'S BOND PRICES†
(Based on Average Yields)

1943— Daily Averages	U. S. Govt. Bonds	Avge. Corpo- rate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
July 6	120.87	110.88	119.00	116.22	111.25	98.57	102.63	113.70	116.80
5	EXCHANGE CLOSED								
3	120.78	110.70	118.80	116.22	111.25	98.25	102.46	113.70	116.61
2	120.75	110.70	118.80	116.22	111.25	98.25	102.46	113.70	116.61
1	120.71	110.70	118.80	116.22	111.25	98.41	102.46	113.89	116.61
Jun 30	120.66	110.70	118.80	116.22	111.25	98.41	102.63	113.70	116.61
29	120.58	110.70	118.80	116.22	111.25	98.41	102.46	113.70	116.80
28	120.44	110.70	118.80	116.22	111.25	98.25	102.46	113.70	116.61
26	120.44	110.70	118.80	116.22	111.25	98.09	102.46	113.70	116.61
25	120.41	110.70	118.80	116.22	111.07	98.09	102.46	113.70	116.61
24	120.31	110.70	118.80	116.22	111.25	98.09	102.46	113.70	116.61
23	120.23	110.70	118.80	116.22	111.25	97.94	102.30	113.70	116.61
22	120.23	110.52	118.60	116.22	111.07	97.94	102.30	113.50	116.41
21	120.17	110.52	118.60	116.02	111.07	97.94	102.13	113.50	116.41
19	120.15	110.52	118.60	116.02	111.07	97.94	102.30	113.50	116.41
18	120.15	110.52	118.60	116.02	111.07	97.94	102.30	113.50	116.41
17	120.12	110.52	118.60	116.02	111.07	97.94	102.30	113.50	116.41
16	120.08	110.52	118.60	116.02	111.07	97.78	102.30	113.50	116.41
15	120.03	110.52	118.60	116.02	111.07	97.78	102.13	113.50	116.22
14	119.99	110.34	118.60	115.82	111.07	97.62	102.13	113.50	116.22
12	119.99	110.52	118.60	116.02	111.07	97.94	102.30	113.50	116.41
11	119.99	110.52	118.60	116.02	111.07	97.94	102.30	113.50	116.41
10	119.99	110.34	118.40	116.02	111.07	97.62	102.13	113.31	116.02
9	120.02	110.34	118.40	116.02	111.07	97.78	102.13	113.50	116.22
8	120.07	110.34	118.40	115.82	111.07	97.62	102.13	113.31	116.02
7	120.03	110.34	118.40	115.82	111.07	97.94	102.30	113.50	116.02
5	119.93	110.34	118.40	116.02	111.07	97.78	102.30	113.50	116.02
4	119.92	110.34	118.40	115.82	111.07	97.78	102.30	113.50	116.02
3	119.89	110.34	118.40	115.82	110.88	97.78	102.30	113.31	116.02
2	119.85	110.34	118.40	115.82	110.88	97.78	102.30	113.31	115.82
1	119.82	110.34	118.40	115.82	110.88	97.78	102.30	113.31	115.82
May 28	119.82	110.34	118.20	115.82	110.88	97.78	102.30	131.31	115.82
21	119.44	110.15	118.20	115.82	110.70	97.47	101.97	113.12	115.82
14	119.27	109.97	118.00	115.63	110.70	97.47	101.80	113.12	115.82
7	119.03	109.79	118.00	115.43	110.52	97.16	101.47	112.93	115.82
Apr. 30	118.36	109.79	118.00	115.43	110.34	97.00	101.31	113.12	115.63
22	118.22	109.60	118.00	115.43	110.34	96.69	100.98	113.12	115.82
16	118.06	109.60	117.80	115.43	110.52	96.38	100.81	112.93	115.63
9	117.48	109.60	117.80	115.43	110.52	96.69	100.98	113.12	115.63
Mar. 26	116.93	109.60	117.80	115.43	110.52	96.23	100.65	113.12	115.63
19	116.86	109.42	117.60	115.43	110.52	95.92	100.32	113.12	115.63
12	116.87	109.24	117.60	115.43	110.34	95.77	100.16	112.93	115.43
5	116.97	109.42	117.80	115.43	110.34	95.77	100.16	113.12	115.43
Feb 26	117.11	109.24	117.60	115.43	110.15	95.47	100.00	112.93	115.43
Jan. 29	117.04	108.70	117.60	115.04	109.79	94.56	99.04	112.56	115.43
High 1943	120.87	110.88	119.00	116.22	111.25	98.57	102.63	113.89	116.80
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
High 1942	118.41	107.62	117.20	114.27	108.88	92.64	97.47	112.19	114.66
Low 1942	115.90	106.04	115.43	112.75	107.09	90.63	95.32	109.60	112.75
1 Year ago July 6, 1942	118.05	106.56	116.22	113.12	107.98	91.48	95.77	111.25	113.89
2 Years ago July 5, 1941	119.55	107.44	118.00	114.66	107.98	91.77	97.00	111.62	114.66

MOODY'S BOND YIELD AVERAGES†
(Based on Individual Closing Prices)

1943— Daily Averages	U. S. Govt. Bonds	Avge. Corpo- rate	Corporate by Ratings Aaa	Aa	A	Baa	Corporate by Groups R. R.	P. U.	Indus.
July 6	1.79	3.12	2.70	2.84	3.10	3.84	3.59	2.97	2.81
5	EXCHANGE CLOSED								
3	1.80	3.13	2.71	2.84	3.10	3.86	3.60	2.97	2.82
2	1.80	3.13	2.71	2.84	3.10	3.86	3.60	2.97	2.82
1	1.80	3.13	2.71	2.84	3.10	3.85	3.60	2.96	2.82
Jun 30	1.81	3.13	2.71	2.84	3.10	3.85	3.59	2.97	2.82
29	1.81	3.13	2.71	2.84	3.10	3.85	3.60	2.97	2.81
28	1.82	3.13	2.71	2.84	3.10	3.86	3.60	2.97	2.82
26	1.82	3.13	2.71	2.84	3.10	3.87	3.60	2.97	2.82
25	1.82	3.13	2.71	2.84	3.11	3.87	3.60	2.97	2.82
24	1.83	3.13	2.71	2.84	3.10	3.87	3.60	2.97	2.82
23	1.84	3.13	2.71	2.84	3.10	3.88	3.61	2.97	2.82
22	1.84	3.14	2.72	2.84	3.11	3.88	3.61	2.98	2.83
21	1.84	3.14	2.72	2.85	3.11	3.88	3.62	2.98	2.83
19	1.84	3.14	2.72	2.85	3.11	3.88	3.61	2.98	2.83
18	1.84	3.14	2.72	2.85	3.11	3.88	3.61	2.98	2.83
17	1.85	3.14	2.72	2.85	3.11	3.88	3.61	2.98	2.83
16	1.85	3.14	2.72	2.85	3.11	3.89	3.61	2.98	2.83
15	1.86	3.14	2.72	2.85	3.11	3.89	3.62	2.98	2.84
14	1.87	3.15	2.72	2.86	3.11	3.90	3.62	2.98	2.84
12	1.87	3.14	2.72	2.85	3.11	3.88	3.61	2.98	2.83
11	1.87	3.14	2.72	2.85	3.11	3.88	3.61	2.98	2.83
10	1.87	3.15	2.73	2.85	3.11	3.90	3.62	2.99	2.85
9	1.86	3.15	2.73	2.85	3.11	3.89	3.62	2.98	2.84
8	1.86	3.15	2.73	2.86	3.11	3.90	3.62	2.99	2.85
7	1.86	3.15	2.73	2.86	3.11	3.88	3.61	2.98	2.85
5	1.87	3.15	2.73	2.85	3.11	3.89	3.61	2.98	2.85
4	1.87	3.15	2.73	2.86	3.11	3.89	3.61	2.98	2.85
3	1.87	3.15	2.73	2.86	3.12	3.89	3.61	2.99	2.85
2	1.87	3.15	2.73	2.86	3.12	3.89	3.61	2.99	2.86
1	1.88	3.15	2.73	2.86	3.12	3.89	3.61	2.99	2.86
May 28	1.88	3.15	2.74	2.86	3.12	3.89	3.61	2.99	2.86
21	1.90	3.16	2.74	2.86	3.13	3.91	3.63	3.00	2.86
14	1.92	3.17	2.75	2.87	3.13	3.91	3.64	3.00	2.86
7	1.93	3.18	2.75	2.88	3.14	3.93	3.66	3.01	2.86
Apr. 30	1.98	3.18	2.75	2.88	3.15	3.94	3.67	3.00	2.87
22	1.99	3.19	2.75	2.88	3.15	3.96	3.69	3.00	2.86
16	2.00	3.19	2.76	2.88	3.14	3.98	3.70	3.01	2.87
9	2.04	3.19	2.76	2.89	3.14	3.96	3.69	3.00	2.87
Mar. 26	2.08	3.19	2.76	2.88	3.14	3.99	3.71	3.00	2.87
19	2.07	3.20	2.77	2.88	3.14	4.01	3.73	3.00	2.87
12	2.07	3.21	2.77	2.88	3.15	4.02	3.74	3.01	2.88
5	2.07	3.20	2.76	2.88	3.15	4.02	3.74	3.00	2.88
Feb 26	2.06	3.21	2.77	2.88	3.16	4.04	3.75	3.01	2.88
Jan. 29	2.06	3.24	2.77	2.90	3.18	4.10	3.81	3.03	2.88
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.12	2.70	2.84	3.10	3.84	3.59	2.96	2.81
High 1942	2.14	3.39	2.88	3.02	3.33	4.37	4.05	3.19	3.02
Low 1942	1.93	3.30	2.79	2.94	3.23	4.23	3.91	3.05	2.92
1 Year ago July 6, 1942	1.99	3.36	2.84	3.00	3.28	4.31	4.02	3.10	2.96
2 Years ago July 5, 1941	1.87	3.31	2.75	2.92	3.28	4.29	3.94	3.08	2.92

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Non-Ferrous Metals—Lead Consumers To Stock Metal—New Ceiling Prices Set By OPA

Editor's Note.—At the direction of the Office of Censorship certain production and shipments figures and other data have been omitted for the duration of the war.

"E. & M. J. Metal and Mineral Markets," in its issue of July 1, stated: "Price developments in metals during the last week centered in ferromanganese and manganese. OPA came through with specific ceiling prices for the alloys that were virtually in line with established quotations. Effective July 1, the maximum price for electrolytic manganese is 37.6c. per pound. Inventory regulations for lead were eased by WPB to increase the flow of the metal to consumers' plants during the summer period of light traffic on the railroads. Better distribution of stock of High Grade zinc has been decided upon by WPB to relieve producers. The copper situation was unchanged." The publication further went on to say:

Copper

Except that the drive for obtaining increased production of copper is still on, conditions surrounding the market did not change during the last week. Domestic copper is moving on the basis of 12c., Valley. Foreign copper was purchased by Metals Reserve at unchanged prices.

To increase the supply of copper and copper-base alloy materials urgently needed for war uses, the War Production Board last week announced a program for the recovery of idle and excess inventories of such materials in the hands of plumbers, building contractors, and their suppliers. Two types of materials are sought. One includes copper and copper-base alloy pipe fittings and tube fittings. The other includes copper and copper-base alloy building materials, including primary forms.

C. D. Howe, Munitions Minister of Canada, recently told members of the House of Commons that Canada is producing about 12½% of the United Nations' supply of new copper.

Lead

General Inventory Order M-161, Schedule A, has been amended to facilitate the movement of lead over crowded transportation lines during the months of lightest traffic, WPB announced on June 28. The order waives inventory restrictions on lead so that the metal may be moved from production and stockpiles into consumer channels. Large consumers are expected to add to their reserve supply during the summer months as a result of this ruling. However, little domestic lead will be available for this purpose, according to members of the industry, as most of the current output is going into consumption.

With July needs of consumers 75% covered, and books about to be opened for August metal, the week in lead was a quiet affair. Sales of common lead for the seven-day period amounted to less than one-half of that in the week previous. Prices were unchanged.

Zinc

Zinc allocations for July came through during the last week as anticipated. There were no price developments, and the selling basis continued at 8¼c. for Prime Western, East St. Louis.

The advisory group met with WPB officials in Washington on June 29 to review production and distribution problems. Interest at the meeting centered in High Grade, which has been accumulating in some directions. Increased tonnages will be stored at large fabricating plants for account of the Government.

Tin

Tin contained in exports of tin concentrates from Bolivia during May amounted to 2,057 metric tons, which compares with 3,059 tons in April and 2,864 tons in May last year. Exports for the first five months this year contained 15,424 tons of tin, against 16,019 tons in the Jan.-May period of last year.

Bolivian producers are awaiting word on the renewal of the concentrate contracts. Negotiations are still on. Opinion here still holds to the view that 70c. per pound of tin contained will be paid by Metals Reserve at the request of BEW.

Quotations for tin remain unchanged. Straits quality tin for shipment was as follows:

	July	August	Sept.
June 24	52.000	52.000	52.000
June 25	52.000	52.000	52.000
June 26	52.000	52.000	52.000
June 28	52.000	52.000	52.000
June 29	52.000	52.000	52.000
June 30	52.000	52.000	52.000

Chinese, or 99% tin, continues at 51.125c. a pound.

Ferromanganese

Specific dollars-and-cents maximum prices for ferromanganese and manganese alloys and metal are contained in revised MPR No. 138, effective July 1, 1943, OPA announced last week. The prices are essentially the same as those previously in effect. The order is expected to make pricing simpler for both buyers and sellers. According to OPA, it reduces some 1,300 different prices to a little more than 100.

The maximum base contract prices for high-carbon standard ferromanganese, 78 to 82% Mn. range from $135 to $159 per gross ton, according to crushed size, bulk, carload lots.

Manganese metal, 35.6c. to 43.1c per pound, gross weight, according to manganese content and crushed size. For electrolytic metal, the maximum price is 37.6c. per pound.

Spiegeleisen prices range from $35 to $212 per gross ton, f.o.b. Palmerton, Pa., according to manganese content, size, and quantity.

Quicksilver

Available supplies of quicksilver are held to be ample to meet the heavy war demands of the United Nations. Though some domestic producers complain about the labor situation, output for the country as a whole remains comparatively high. Quotations in New York were unchanged last week at $196 to $198 per flask of 76 pounds.

Silver

The London silver market continued inactive last week, with the price unchanged at 23½d. The New York Official and the Treasury prices held at 44¾c. and 35c., respectively.

During the first four months of 1943, Canada produced 6,671,406 oz. of silver, against 6,235,361 oz. in the same period last year, the Dominion Bureau of Statistics reports.

Daily Prices

The daily prices of electrolytic copper (domestic and export, refinery), lead, zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" of July 31, 1942, page 380.

Silver Amendment Dropped

Congressional action on the $1,102,381,425 Treasury-Post Office appropriation bill was completed on June 24 when the Senate and the House adopted the conference report thereon.

In the conference report, the House abandoned its amendment prohibiting the use of any funds in the Treasury appropriation for the purchase of silver and also yielded to its prohibition on free mail for government departments and agencies. These two controversial amendments had held up final passage of the legislation for a couple of months.

When the appropriation measure passed the House last Feb. 9, the Treasury was prohibited from using any of its funds for carrying out the provisions of the Silver Purchase Acts of 1934 and 1939. The silver bloc in the Senate removed this limitation and the bill had since been deadlocked in conference.

With regard to the free-mailing privilege, there was substituted an amendment directing the Joint Committee on Reduction in Non-Essential Federal Expenditures (Byrd Committee) to investigate the cost of such mail and report with recommendations no later than next Jan. 1.

A Card Holders Allowed One Vacation Trip

Beginning on July 15, motorists in the twelve Northeastern rationed States will be permitted to use their "A" coupons for a single, direct, round trip to their summer homes or to a vacation resort, where other means of transportation are not available, it was announced on July 6 by the Office of Price Administration.

This concession followed closely on an announcement discontinuing special rations for Victory gardeners, effective July 12, and another requiring gasoline users to indorse all of their coupons upon issuance so that they cannot be used by others if they are lost. This latter regulation will become effective on July 22, when the new rationing period begins for "A" coupons, numbered six, which must last through Nov. 21.

Prentiss M. Brown, Price Administrator, stated that the summer travel ban was lifted only to this extent: That the vacation trip must be completed in 1943, and must be made on regularly issued "A" coupons. No supplemental ration will be granted. "B" and "C" book coupons are ineligible for the trip since the gasoline allowance they represent was granted only for essential occupational driving. Approval must be obtained from a ration board "having jurisdiction over the area in which the vehicle of the ration holder is normally garaged or stationed."

Mr. Brown warned that vacationers "will not have recourse to further rations should they be stranded."

In discontinuing the issuance of special rations for Victory gardeners, the OPA ruled that rations already issued for this purpose may be used as long as they are valid and that gardeners may continue to use their "A" books for trips to their gardens provided the gardens are within three miles of the gardener's home or place of employment and provided the driving is necessary for continuous cultivation.

Moody's Daily Commodity Index

Tuesday, June 29	243.3
Wednesday, June 30	244.0
Thursday July 1	245.0
Friday, July 2	245.4
Saturday, July 3	245.0
Monday, July 5	Holiday
Tuesday July 6	245.3
Two weeks ago, June 22	243.0
Month ago, June 5	245.7
Year ago, July 6	232.0
1942 High, Dec. 22	239.9
Low, Jan. 2	220.0
1943 High, April 1	249.8
Low, Jan. 2	240.2

Controllers Issue Pay-Go Tax Manual

Troublesome questions confronting employers in connection with tax withholding are answered in a special 48-page report issued by the Controllers Institute of Amercia. Entitled "Withholding Problems Under the 1943 Pay-As-You-Go Tax Act," the manual contains the verdicts of a panel of tax experts from Government and industry, comprising: Dr. Thomas C. Atkeson, head of the Clearing Division of the Bureau of Internal Revenue; G. F. Buck, Supervisor of Tabulating of the Bethlehem Steel Co.; William L. Hearne, Tax Supervisor of the United States Steel Corp.; Stanley S. Surrey, Tax Legislative Counsel of the Treasury Department, and Harry C. Gretz, chairman of the panel, who is Assistant Comptroller of the American Telephone and Telegraph Co.

It is announced that the following points of information are typical of the data supplied by the contributors:

"Lump Sum Payments: Lump sum payments representing retroactive wage increases, as in the case of War Labor Board awards, have the same status as the regular payment of wages to which they are related. If the payroll period to which they are related took place before July 1, only the Victory Tax applies; if after July 1, the full 20% must be withheld.

"Vacation Advances: If vacation pay is advanced during June for a payroll period after July 1, it is subject to the 5% Victory Tax withholding only.

"Overtime Pay: Overtime pay for work done before July 1, if paid after July 1, is subject to Victory Tax withholding only.

"Sick Pay: Withholding applies to sick pay as it is, in effect, wages, and would be deductible as such if paid after July 1.

"Travel Allowances: Withholding does not apply if travel allowances are reimbursements for expenses, but it does apply if they are a flat amount allowed irrespective of expenses.

"Benefits to Widows of Employees: Such benefits are gifts and are not subject to withholding. However, if payments are made to the estate of the deceased employee, they are wages and are subject to withholding.

"Errors in Withholding: Errors of under- or over-withholding, if made and corrected within the same quarter, need not be noted on the quarterly tax returns. However, the employee's payroll record should carry appropriate entries in this respect in case of a payroll audit."

"The subject of withholding taxes is one with which the Institute has been in close contact since January, 1943," declared Arthur R. Tucker, managing director of the organization, which has 2,000 members from the largest business concerns in the United States. "At that time, officials in Washington asked the Institute to make a survey of its membership covering their opinions as to the practicability of employers withholding a portion of their wages to pay personal income taxes, and giving weight to two factors—dependency and marital status. A special committee of the Institute has since spent considerable time studying the withholding problems and conferring with committees of Congress and officials of the Treasury Department."

The report is available to nonmembers, and may be secured at the headquarters of the Institute, 1 East 42nd St., New York.

Legion Commmander Says State's Rights Usurped By New Deal

National Commander Waring of the American Legion charged the Federal Government with usurping state's rights and assuming a control over individual citizens "never intended by the authors of the Constitution," said a United Press advice from Columbia, S. C., on July 4, which added:

In a Fourth of July address before a mass meeting on the steps of the South Carolina Statehouse, Mr. Waring accused the Federal government of creating "a gigantic political octopus whose powerful tentacles seek to reach further into the private lives of American citizens."

Mr. Waring praised Congress for "awakening" to its responsibilities by passing legislation necessary to meet the needs of war.

"This responsibility can no longer be left to bureaus nor political marionettes," he said. "Here in this government of ours, these so-called master minds of politics, distinguished only by their inexperience and incompetency, but steeped in foreign ideologies, have built a patchwork of bureaucratic directives.

"With these they seek to pit class against class, business against labor, farmer against consumer and race against race."

He said the advent of the war provided an opportunity for the employment at Washington of "many more additional theorists and social reformers."

He called for the protection of capitalism as the means of preserving the American way of life.

Gross And Net Earnings Of United States Railroads For The Month Of April

The earnings of the railroads of the United States in the month of April did not come up to the previous high records, but both gross and net earnings are close to the peak levels.

Gross earnings of the railroads in April amounted to $748,797,529 against $572,529,082 in April last year, an increase of $176,268,447, or 30.79%. Net earnings for the month of April totaled $306,649,824 against $205,790,570 in the same month of 1942, a gain of $100,859,254, or 49.01%. Ratio of expenses to earnings in April, 1943, was 59.05% as compared with 64.06% in the corresponding period last year. We now present the comparisons in tabular form:

Month of April—	1943	1942	Incr. (+) or Decr. (—) Amount	%
Mileage of 132 roads	229,403	231,499	— 2,096	—00.91
Gross earnings	$748,797,529	$572,529,082	+$176,268,447	+30.79
Operating expenses	442,147,705	366,738,512	+ 75,409,193	+20.56
Ratio of expenses to earnings	(59.05%)	(64.06%)		
Net earnings	$306,649,824	$205,790,570	+$100,859,254	+49.01

Now let us consider the general business indices which underlie the upward course of the railroad earnings for the month of April. In order to show the relation of the trends of the general activity of business to the gross earnings of the railroads during the month under review, we have assembled in the subjoined table those figures representative of the activity in the more important industries for April of 1943 in comparison with the same month for the years 1942, 1941, 1932 and 1929:

April—	1943	1942	1941	1932	1929
Building ($000):					
†Constr. contracts awarded	$303,371	$498,742	$406,675	$121,705	$642,061
Coal (net tons):					
‡Bituminous	49,900,000	48,332,000	6,266,000	20,300,000	44,057,000
§Pennsylvania anthracite	5,437,000	5,153,000	3,198,000	5,629,000	6,205,000
Freight Traffic:					
¶Carloadings, all (cars)	*3,136,253	*3,350,996	*2,793,630	*2,229,173	*3,989,142
††Livestock receipts:					
Chicago (cars)	5,305	5,766	6,168	11,282	17,546
Kansas City (cars)	4,924	4,461	2,897	4,785	7,673
Omaha (cars)	2,374	2,100	1,599	3,603	7,719
‡‡Western flour and grain receipts:					
Flour (000 barrels)	*1,667	*1,562	*1,708	*1,448	*1,700
Wheat (000 bushels)	*34,381	*11,960	*16,481	*12,642	*15,792
Corn (000 bushels)	*21,533	*26,739	*15,683	*9,279	*15,566
Oats (000 bushels)	*7,389	*5,060	*4,450	*4,850	*8,848
Barley (000 bushels)	*9,188	*4,579	*5,350	*2,067	*2,788
Rye (000 bushels)	*2,035	*920	*1,000	*405	*817
Iron and Steel (net tons):					
§§Steel ingot production	7,374,154	7,121,291	6,754,179	1,429,848	5,626,610
Lumber (000 ft.):					
¶¶Production	**	*966,704	*1,016,000	*472,963	*1,635,789
¶¶Shipments	**	*1,146,897	*1,039,386	*554,510	*1,686,481
¶¶Orders received	**	*1,390,899	*1,062,191	*506,510	*1,653,561

Note—Figures in above table issued by: *Four weeks. †F. W. Dodge Corp. (figures for 37 States east of Rocky Mountains). ‡National Bituminous Coal Commission. §U. S. Bureau of Mines. ¶Association of American Railroads. **Only percentage available. ††Reported by major stock yard companies in each city. ‡‡New York Produce Exchange. §§American Iron and Steel Institute. ¶¶National Lumber Manufacturers' Association (number of reporting mills varies in different years).

A glance at the figures in the above tabulation discloses the fact that though most of the items were moderately active in comparison with the corresponding period of last year, a few of them showed declines in volume of business. In reference to construction, total valuation of contracts awarded in the 37 States east of the Rocky Mountains amounted to $303,371,000, which represented declines of 11% from the preceding month and 39% from April, 1942. Turning to the statistics of the coal production, Pennsylvania anthracite and bituminous coal aggregated 5,437,000 net tons and 49,900,000 net tons, respectively. Production of 7,374,154 net tons of steel ingots and castings in April, which set a new peak for a 30-day month, was short of the March record of 7,670,187 tons, and was substantially above April, 1942, when 7,121,291 tons were produced. The previous peak production in the 30-day month was in November of last year when production of steel ingots and castings amounted to 7,179,812 tons. At the Western terminals flour and grain receipts showed upward trends in volume of activity with exception of corn. Livestock receipts in general showed improvement over 1942. Lumber shipments for the four weeks ended May 1, 1943, were 10.8% greater than the average for the latest three years. Based on reports of identical mills for equivalent working periods, lumber shipments in the month under review were 10% and orders were 13% above production. Total freight carloadings for the four weeks ended April 24, 1943, were 6.41% below the similar period last year.

In turning our attention from the railroads of the country as a whole and focusing it on the roads and systems, separately, we notice that the individual totals are in consonance with results shown in the general totals.

Sorting out the railroads with major changes from those that showed only minor fluctuations when compared with last year, we find that 87 roads reported increases in gross and 73 roads recorded increases in net, while three roads indicated decreases in gross and six in net. The Union Pacific led the gross and net listings with gains of $15,883,366 and $10,095,245, respectively. Second place in the gross category was occupied by the Southern Pacific with an increase of $14,619,794 over 1942. The Atchison, Topeka & Santa Fe was second in net, showing a gain of $8,245,697 in the latter category. The Pennsylvania recorded the third largest increase, one of $13,096,037, in the gross column, while the New York Central, fourth in gross, was in third place with a gain of $7,998,414 in the net listing. Other roads showing substantial increases included the Missouri Pacific, Baltimore & Ohio, Chicago, Rock Island & Pacific, Chicago, Burlington & Quincy and Southern Ry., all of which were able to convert a substantial percentage of their gross gains into the net column. In reference to declines, the Dulutn, Missabe & Iron Range headed both the gross and net categories, with reductions of $2,048,149 and $1,949,451, respectively.

In the following compilations, we tabulate the major variations of $100,000 or more, whether they be increases or decreases, in both gross and net classifications for the separate roads and systems:

PRINCIPAL CHANGES IN GROSS EARNINGS FOR THE MONTH OF APRIL

	Increase		Increase
Union Pacific	$15,883,366	Western Pacific	$803,890
Southern Pacific (2 roads)	14,619,794	Alton	751,722
Pennsylvania	13,096,037	Minneapolis St. Paul & S. S. M.	678,605
New York Central	*12,256,283	Chicago Great Western	624,703
Atchison Topeka & Santa Fe	11,651,581	Cincinnati New Orleans & Texas Pacific	570,014
Baltimore & Ohio	6,687,929	Louisiana & Arkansas	529,121
Missouri Pacific	6,184,533	Long Island	515,586
Chicago Burlington & Quincy	5,758,423	Chicago St Paul Minn. & Om.	452,554
Chicago Rock Island & Pacific	5,458,888	Western Maryland	410,892
Southern	5,032,150	Central of New Jersey	403,555
Atlantic Coast Line	4,603,205	Spokane Portland & Seattle	397,626
Chicago Milwaukee St. Paul & Pacific	4,540,202	Yazoo & Mississippi Valley	396,073
Louisville & Nashville	4,264,143	Alabama Great Southern	323,176
Seaboard Air Line	3,913,762	Georgia Southern & Florida	300,046
Illinois Central	3,377,660	Minneapolis & St. Louis	253,536
Northern Pacific	3,364,040	Atlanta Birmingham & Coast	230,662
Great Northern	3,067,681	Georgia	223,527
New York New Haven & Hartford	2,723,320	Chicago Indianapolis & Louisville	215,884
St. Louis-San Francisco (2 roads)	2,637,994	Toledo Peoria & Western	210,299
Chicago & Northwestern	2,453,805	New Orleans & Northwestern	207,264
Erie	2,326,956	Pennsylvania Reading S. S. Lines	194,059
Denver & Rio Grande Western	2,310,795	Burlington-Rock Island	187,447
Texas & Pacific	2,285,083	Maine Central	181,952
Wabash	2,131,250	Delaware & Hudson	178,577
Chesapeake & Ohio	2,087,528	Kansas Oklahoma & Gulf	168,121
Missouri-Kansas-Texas	1,956,233	Pittsburgh & West Virginia	158,757
Norfolk & Western	1,932,481	Pittsburgh & Lake Erie	157,403
Lehigh Valley	1,848,242	Wheeling & Lake Erie	150,102
Kansas City Southern	1,752,294	Akron Canton & Youngstown	143,638
St. Louis Southwestern	1,644,137	Detroit Toledo & Ironton	141,623
Florida East Coast	1,297,088	New York Susquehanna & Western	136,496
Nashville Chattanooga & St. Louis	1,247,808	Ann Arbor	128,145
Pere Marquette	1,218,158	Clinchfield	127,916
Chicago & East Illinois	1,166,142	Illinois Terminal	126,849
New York Chicago & St. Louis	1,156,621	San Antonio Uvalde & Gulf	123,942
Central of Georgia	1,139,209	Atlanta & West Point	123,206
Gulf Mobile & Ohio	991,845	Staten Island Rapid Transit	109,510
New Orleans Texas & Mexico (3 roads)	984,211		
Reading	945,437	Total (87 roads)	$178,359,992
International Great Northern	924,638		
Colorado & Southern (2 roads)	904,868		Decrease
Richmond Fredericksburg & Potomac	894,324	Duluth Missabe & Iron Range	$2,048,149
Grand Trunk Western	888,000	Bessemer & Lake Erie	766,942
Delaware Lackawanna & Western	874,532	Lake Superior & Ishpeming	237,926
Boston & Maine	838,838	Total (3 roads)	$3,053,017

*These figures cover the operations of the New York Central and the leased lines—Cleveland Cincinnati Chicago & St. Louis, Michigan Central, Cincinnati Northern and Evansville Indianapolis & Terre Haute. Including Pittsburgh & Lake Erie, the result is an increase of $12,413,686.

PRINCIPAL CHANGES IN NET EARNINGS FOR THE MONTH OF APRIL

	Increase		Increase
Union Pacific	$10,095,245	Richmond Fredericksburg & Potomac	$599,523
Atchison Topeka & Santa Fe	8,245,697	Minneapolis St. Paul & S. S. Marie	566,503
New York Central	*7,998,414	Western Pacific	460,329
Southern Pacific (2 roads)	7,945,543	Chicago Great Western	420,198
Missouri Pacific	4,351,109	Delaware Lackawanna & Western	371,646
Pennsylvania	3,991,012	Cincinnati New Orleans & Texas Pacific	370,431
Chicago Rock Island & Pacific	3,896,573	Chicago St. Paul Minn. & Omaha	356,865
Chicago Burlington & Quincy	3,852,915	Spokane Portland & Seattle	282,643
Baltimore & Ohio	3,717,797	Alabama Great Southern	256,411
Southern	3,438,059	Western Maryland	235,795
Atlantic Coast Line	3,407,808	Louisianna & Arkansas	224,020
Chicago Milwaukee St. Paul & Pacific	3,275,368	Minneapolis & St. Louis	205,896
Seaboard Air Line	2,592,435	Atlanta Birmingham & Coast	176,257
Louisville & Nashville	2,565,711	Wheeling & Lake Erie	174,239
Northern Pacific	2,333,758	Maine Central	172,297
Chicago & North Western	1,813,116	Toledo Peoria & Western	168,692
Denver & Rio Grande Western	1,511,946	Chicago Indianapolis & Louisville	147,859
St. Louis-San Francisco (2 roads)	1,430,491	Pittsburgh & West Virginia	128,944
New York New Haven & Hartford	1,397,490	Burlington-Rock Island	122,386
Wabash	1,357,655	Akron Canton & Youngstown	119,526
Erie	1,351,415	Detroit Toledo & Ironton	118,908
St. Louis Southwestern	1,275,832	Illinois Terminal	116,780
Texas & Pacific	1,233,928	Central of New Jersey	115,419
Illinois Central	1,212,963	Georgia	110,045
Great Northern	1,102,689	Ann Arbor	107,636
Norfolk & Western	1,094,807	New Orleans & Northern	103,451
Kansas City Southern	1,093,924	Kansas Oklahoma & Gulf	102,841
Chesapeake & Ohio	970,684		
Lehigh Valley	948,385	Total (73 roads)	$104,305,758
Chicago & East Illinois	820,251		
Florida East Coast	796,633		
Central of Georgia	784,942		
Pere Marquette	762,897		
New Orleans Texas & Mexico (3 roads)	746,465		Decrease
Nashville Chattanooga & St. Louis	726,507	Duluth Missabe & Iron Range	$1,949,451
Grand Trunk Western	659,756	Bessemer & Lake Erie	1,000,303
International Great Northern	653,276	Elgin Joliet & Eastern	300,721
Alton	645,612	Reading	237,634
Gulf Mobile & Ohio	637,244	Lake Superior & Ishpeming	207,615
Colorado & Southern	620,917	New York Connecting	134,774
New York Chicago & St. Louis	612,949	Total (6 roads)	$3,830,498

*These figures cover the operations of the New York Central and the leased lines—Cleveland Cincinnati Chicago & St. Louis, Michigan Central, Cincinnati Northern and Evansville Indianapolis & Terre Haute. Including Pittsburgh & Lake Erie, the result is an increase of $7,958,072.

As for the grouping of the railroads into districts and regions, we notice that all geographical subdivisions contributed considerably to the 30.79% in gross and 49.01% in the net. Analyzing the showings of the various districts, we see that the Western District headed both gross and net listings with gains of 43.72% and 80.36%, respectively. The Southern and Eastern Districts were second and

third with increases of 29.87% and 20.32%, respectively, in gross, and improvements of 42.50% and 26.89%, respectively, in net.

Examining the compiled figures of small subdivisions—the regions, we note that the Southwestern region reported the greatest gain, 52.96%, in gross, while the Central Western ran a close second with a gain of 50.29% over April, 1942. In the net classification, however, the positions were reversed with the Central Western indicating the largest increase, one of 95.63%, while the Southwestern took second place with an improvement of 84.18%.

We now present our summary tabulation which follows immediately. Our grouping is in conformity with the classification prescribed by the Interstate Commerce Commission. The territories covered by the various subdivisions, districts and regions are explained in the footnote subjoined in the following table:

SUMMARY BY GROUPS—MONTH OF APRIL

District and Region	Gross Earnings 1943 $	1942 $	Inc. (+) or Dec. (—) $	%
Eastern District—				
New England region (10 roads)	27,099,312	23,354,025	+ 3,745,287	+16.04
Great Lakes region (23 roads)	123,651,442	100,290,122	+ 23,361,320	+23.29
Central Eastern region (18 roads)	149,597,967	125,988,139	+ 23,609,828	+18.74
Total (51 roads)	300,348,721	249,632,286	+ 50,716,435	+20.32
Southern District—				
Southern region (26 roads)	110,450,575	81,712,853	+ 28,737,722	+35.17
Pocahontas region (4 roads)	36,042,210	31,086,354	+ 4,955,856	+15.94
Total (30 roads)	146,492,785	112,799,207	+ 33,693,578	+29.87
Western District—				
Northwestern region (15 roads)	70,742,567	57,050,731	+ 13,691,836	+24.00
Central Western region (16 roads)	162,247,463	107,959,941	+ 54,287,522	+50.29
Southwestern region (20 roads)	68,965,993	45,086,917	+ 23,879,076	+52.96
Total (51 roads)	301,956,023	210,097,583	+ 91,858,434	+43.72
Total all districts (132 roads)	748,797,529	572,529,082	+176,268,447	+30.79

District and Region	Mileage 1943	Mileage 1942	Net Earnings 1943 $	1942 $	Incr. (+) or Dec. (—) $	%
Eastern District—						
New England region	6,599	6,649	10,511,977	9,200,401	+ 1,311,576	+ 14.26
Great Lakes region	25,842	26,023	48,589,907	34,467,893	+ 14,122,014	+ 40.97
Central East. region	24,029	24,224	51,277,266	43,317,887	+ 7,959,379	+ 18.37
Total	56,470	56,896	110,379,150	86,986,181	+ 23,392,969	+ 26.89
Southern District—						
Southern region	37,416	37,821	50,240,883	32,707,326	+ 17,533,557	+ 53.61
Pocahontas region	6,019	6,064	17,521,152	14,845,899	+ 2,675,253	+ 18.02
Total	43,435	43,885	67,762,035	47,553,225	+ 20,208,810	+ 42.50
Western District—						
Northwestern region	45,404	45,616	26,224,758	17,955,729	+ 8,269,029	+ 46.05
Central West. region	55,316	56,078	70,464,958	36,019,214	+ 34,445,744	+ 95.63
Southwestern region	28,778	29,024	31,818,923	17,276,221	+ 14,542,702	+ 84.18
Total	129,498	130,718	128,508,639	71,251,164	+ 57,257,475	+ 80.36
Total all districts	229,403	231,499	306,649,824	205,790,570	+100,859,254	+ 49.01

Note—Our grouping of the roads conforms to the classification of the Interstate Commerce Commission, and the following indicates the confines of the different groups and regions:

EASTERN DISTRICT

New England Region—Comprises the New England States.

Great Lakes Region—Comprises the section on the Canadian boundary between New England and the westerly shore of Lake Michigan to Chicago, and north of a line from Chicago via Pittsburgh to New York.

Central Eastern Region—Comprises the section south of the Great Lakes Region east of a line from Chicago through Peoria to St. Louis and the Mississippi River to the mouth of the Ohio River, and north of the Ohio River to Parkersburg, W. Va., and a line thence to the southwestern corner of Maryland and by the Potomac River to its mouth.

SOUTHERN DISTRICT

Southern Region—Comprises the section east of the Mississippi River and south of the Ohio River to a point near Kenova, W. Va., and a line thence following the eastern boundary of Kentucky and the southern boundary of Virginia to the Atlantic.

Pocahontas Region—Comprises the section north of the southern boundary of Virginia, east of Kentucky and the Ohio River north to Parkersburg, W. Va., and south of a line from Parkersburg to the southwestern corner of Maryland and thence by the Potomac River to its mouth.

WESTERN DISTRICT

Northwestern Region—Comprises the section adjoining Canada lying west of the Great Lakes Region, north of a line from Chicago to Omaha and thence to Portland, and by the Columbia River to the Pacific.

Central Western Region—Comprises the section south of the Northwestern Region west of a line from Chicago to Peoria and thence to St. Louis, and north of a line from St. Louis to Kansas City and thence to El Paso and by the Mexican boundary to the Pacific.

Southwestern Region—Comprises the section lying between the Mississippi River south of St. Louis and a line from St. Louis to Kansas City and thence to El Paso, and by the Rio Grande to the Gulf of Mexico.

The Western grain movement for April of the current year was somewhat heavier than that of the same month of 1942. In respect to individual grains, wheat receipts approximated almost three times last year's total by aggregating 34,381,000 bushels. Rye and barley more than doubled their 1942 arrivals by presenting gains of 112.12% and 100.66%, respectively. Oats showed an increase of 2,329,000 bushels over its 1942 aggregate of 5,060,000 bushels. Corn, however, declined 5,206,000 bushels below last year's total of 21,533,000 bushels.

In the following table we give a detailed statement of the grain arrivals at the Western lake and river ports in our usual form:

WESTERN FLOUR AND GRAIN RECEIPTS

Four Weeks Ended April 24.

(000 Omitted)	Year	Flour (bbls.)	Wheat (bush.)	Corn (bush.)	Oats (bush.)	Rye (bush.)	Barley (bush.)
Chicago	1943	880	1,860	7,272	877	160	1,305
	1942	833	493	8,992	1,373	55	1,086
Minneapolis	1943	----	13,629	988	3,297	1,353	4,466
	1942	----	4,197	1,236	1,180	354	1,513
Duluth	1943	----	5,407	53	148	271	176
	1942	----	1,687	586	13	84	111
Milwaukee	1943	65	69	828	6	9	1,768
	1942	35	2	831	137	50	1,306
Toledo	1943	----	349	553	218	63	355
	1942	----	600	319	240	234	17
Indianapolis &	1943	----	2,113	4,001	1,023	5	2
Omaha	1942	----	574	4,905	1,025	10	2
St. Louis	1943	507	3,680	2,200	668	38	409
	1942	488	630	2,374	306	63	126
Peoria	1943	150	607	2,777	168	34	402
	1942	132	229	3,753	112	69	350
Kansas City	1943	65	5,272	1,951	474	----	----
	1942	74	2,550	2,771	374	----	----
St. Joseph	1943	----	247	385	265	----	----
	1942	----	153	672	275	----	----
Wichita	1943	----	828	36	----	----	----
	1942	----	794	----	----	----	----
Sioux City	1943	----	320	489	245	102	305
	1942	----	51	300	25	1	68
Total all	1943	1,667	34,381	21,533	7,389	2,035	9,188
	1942	1,562	11,960	26,739	5,060	920	4,579

Four Months Ended April 24

(000 Omitted)	Year	Flour (bbls.)	Wheat (bush.)	Corn (bush.)	Oats (bush.)	Rye (bush.)	Barley (bush.)
Chicago	1943	4,125	9,734	40,111	3,801	250	5,708
	1942	3,761	2,464	33,128	5,634	1,044	4,628
Minneapolis	1943	51	51,301	6,329	11,221	4,083	16,522
	1942	----	28,279	7,834	9,442	3,689	12,240
Duluth	1943	----	16,928	1,975	566	716	804
	1942	----	9,504	2,726	69	744	1,155
Milwaukee	1943	367	281	4,298	26	45	8,663
	1942	252	133	3,560	222	364	7,958
Toledo	1943	----	3,177	2,936	1,899	145	806
	1942	----	2,404	3,296	1,099	273	63
Indianapolis &	1943	----	10,361	23,495	4,389	5	61
Omaha	1942	----	3,932	19,879	3,855	148	32
St. Louis	1943	2,403	15,802	10,853	3,095	104	1,218
	1942	2,323	3,367	8,852	1,192	566	808
Peoria	1943	723	2,926	14,152	750	118	1,464
	1942	635	650	15,647	534	344	1,205
Kansas City	1943	337	30,767	13,182	2,108	----	----
	1942	250	12,985	13,241	1,000	----	----
St. Joseph	1943	----	2,107	2,903	967	----	----
	1942	----	954	2,044	1,101	----	----
Wichita	1943	----	5,269	38	----	----	----
	1942	----	3,758	----	----	----	----
Sioux City	1943	----	1,621	4,060	1,004	384	1,315
	1942	----	357	1,655	280	53	516
Total all	1943	8,006	149,973	124,332	29,826	5,850	36,561
	1942	7,221	68,787	111,862	24,428	7,225	28,605

As is our practice in these monthly reviews, we furnish a summary of the April comparisons of the gross and net earnings of the railroads of the country from the current year back to and including 1909:

Month of April	Gross Earnings Year Given	Year Preceding	Inc. (+) or Dec. (—)	%	Mileage Year Given	Year Preced'g
1909	$196,993,104	$175,071,604	+$21,921,500	+12.52	224,625	221,755
1910	225,856,174	197,024,777	+ 28,831,397	+14.63	228,973	223,794
1911	218,488,587	226,002,657	— 7,514,070	— 3.32	236,693	233,082
1912	220,678,465	216,140,214	+ 4,538,251	+ 2.10	236,722	233,057
1913	245,170,143	220,981,373	+ 24,188,770	+10.95	240,740	236,515
1914	236,531,600	245,048,870	— 8,517,270	— 3.48	243,513	241,547
1915	237,696,378	241,090,842	— 3,394,464	— 1.41	247,701	245,170
1916	288,453,700	237,512,648	+ 50,941,052	+21.45	246,615	245,773
1917	326,560,287	288,740,653	+ 37,819,634	+13.10	248,723	248,120
1918	369,409,895	319,274,981	+ 50,134,914	+15.70	233,884	231,755
1919	388,697,894	370,710,999	+ 17,986,895	+ 4.85	232,708	233,251
1920	401,604,695	389,487,271	+ 12,117,424	+ 3.11	221,725	220,918
1921	433,357,199	402,281,913	+ 31,075,286	+ 7.72	220,340	219,743
1922	416,240,237	432,106,647	— 15,866,410	— 3.67	234,955	234,338
1923	521,387,412	415,808,970	+105,578,442	+25.39	234,970	235,839
1924	474,094,758	522,336,874	— 48,242,116	— 9.24	235,963	235,665
1925	472,591,665	474,287,768	— 1,696,103	— 0.36	236,664	236,045
1926	498,448,309	472,629,820	+ 25,818,489	+ 5.46	236,518	236,526
1927	497,212,491	498,677,065	— 1,464,574	— 0.29	238,183	237,187
1928	473,428,231	497,865,380	— 24,437,149	— 4.91	239,852	238,904
1929	513,076,026	474,784,902	+ 38,291,124	+ 8.07	240,956	240,816
1930	450,537,217	513,733,181	— 63,195,964	—12.30	242,375	242,181
1931	369,106,310	450,457,319	— 81,461,009	—18.08	242,632	242,574
1932	267,473,938	369,123,100	—101,649,162	—27.54	241,976	241,992
1933	227,300,543	267,480,682	— 40,180,139	—15.02	241,680	242,160
1934	265,022,239	224,565,926	+ 40,456,313	+18.02	239,109	241,113
1935	274,185,053	265,037,296	+ 9,147,757	+ 3.45	237,995	239,129
1936	312,908,137	274,144,735	+ 38,763,402	+14.14	237,028	238,208
1937	350,958,792	312,822,778	+ 38,136,014	+12.19	236,093	236,383
1938	267,741,177	350,792,144	— 83,050,967	—23.68	233,928	234,372
1939	281,513,409	267,685,764	+ 13,827,645	+ 5.17	233,555	234,739
1940	320,764,087	281,513,409	+ 39,250,678	+13.94	232,924	233,547
1941	374,304,613	320,891,874	+ 53,412,739	+16.65	232,250	232,951
1942	572,530,962	374,304,616	+198,226,346	+52.97	231,500	232,227
1943	748,797,529	572,529,082	+176,268,447	+30.79	229,403	231,499

Month of April	Net Earnings Year Given	Year Preceding	Increase (+) or Decrease (—)	%
1909	$62,380,527	$50,787,440	+$11,593,087	+22.83
1910	66,725,896	62,409,630	+ 4,316,266	+ 6.92
1911	64,768,090	66,709,729	— 1,941,639	— 2.91
1912	57,960,871	63,888,490	— 5,927,619	— 9.28
1913	60,122,205	58,082,236	+ 2,039,869	+ 3.51
1914	59,398,711	60,024,235	— 625,524	— 1.04
1915	67,515,544	59,266,322	+ 8,249,222	+13.92
1916	93,092,395	67,396,538	+ 25,695,857	+38.13
1917	93,318,041	93,257,886	+ 60,155	+ 0.06
1918	89,982,415	91,678,695	— 1,696,280	— 1.85
1919	44,850,096	89,943,898	— 45,093,802	—50.14
1920	*2,875,447	44,716,664	— 47,592,111	—106.43
1921	57,658,213	1,862,451	+ 55,795,762	+2995.82
1922	80,514,943	57,474,860	+ 23,040,083	+40.09
1923	118,627,158	80,386,815	+ 38,240,343	+47.57
1924	101,680,719	122,974,961	— 21,294,242	—17.32
1925	102,861,475	97,471,685	+ 5,389,790	+ 5.53
1926	114,685,151	102,920,855	+ 11,764,296	+11.43
1927	113,643,766	114,417,892	— 774,126	— 0.68
1928	110,907,453	113,818,315	— 2,910,862	— 2.56
1929	136,821,660	110,884,575	+ 25,937,085	+23.39
1930	107,123,770	141,939,648	— 34,815,878	—24.53
1931	79,144,653	103,030,623	— 23,885,970	—23.18
1932	56,263,320	79,185,676	— 22,922,356	—28.95
1933	52,585,047	56,261,840	— 3,676,793	— 6.54
1934	65,253,473	51,640,515	+ 13,612,958	+26.36
1935	65,305,735	65,252,005	+ 53,730	+ 0.09
1936	78,326,373	65,214,202	+ 13,112,171	+20.11
1937	89,529,494	78,326,822	+ 11,202,672	+14.30
1938	48,713,813	89,532,796	— 40,818,983	—45.59
1939	54,422,823	48,717,237	+ 5,705,586	+11.71
1940	75,627,655	54,422,823	+ 21,204,832	+38.96
1941	100,508,419	75,696,337	+ 24,812,082	+32.78
1942	205,791,498	100,023,867	+105,767,631	+105.74
1943	306,649,824	205,790,570	+100,859,254	+ 49.01

*Deficit.

Finds U. S. War Expenditures, Tax Collections Rise Faster Than Canadian Or British

The United States since its entry into the war has experienced sharper increases in both public expenditures and revenue collections than either Canada or the United Kingdom, according to the National Industrial Conference Board. Canada is found to be a close second and the United Kingdom a poor third. The Board states that in terms of percentages of expenditures covered by current revenue collections, the United States is still behind both Canada and the United Kingdom, although the imposition of additional taxes to yield $12,000,000,000 during the current fiscal year, as recommended by the Secretary of the Treasury, would place the United States somewhat ahead of Canada but would leave this country a little behind the United Kingdom.

Other findings of the Board made public July 6 are:

"The United Kingdom to date has had higher total revenues per capita, all types of taxing units included, than the United States, but the imposition of additional Federal taxes to yield $12,000,000,000 more in the fiscal year ending June 30, 1944, as recommended by Secretary Morgenthau, probably would reverse this relationship. Canadian revenues per capita have approximated those of the United States, but present proposals do not contemplate increasing Canadian revenues to the levels proposed for the United States.

"For 1940 through 1942 the United Kingdom had the highest expenditures per capita for all levels of government, but these were exceeded by those of the United States in the year ended March 31, 1943. Expenditures per capita in the United States exceeded those of Canada each year, 1940 through 1943."

Whether serious inflation will develop in the United States depends, according to the Board's analysis, "upon a great many factors, including the effectiveness of price control and rationing programs. But government, by increasing its revenues as a percentage of its expenditures, reduces the extent to which its spending contributes to inflation. Moreover, by reducing purchasing power, or potential demand for consumer goods and services, through higher taxes, the administrative difficulties of price control and rationing boards are eased. From this point of view, Canada has a far better record than the United Kingdom and both have had better success than the United States." The Board further says:

"For the fiscal years 1940, 1941 and 1942, revenue as a percentage of expenditure in Canada amounted to 80.4%, 67.4% and 76.7%, respectively. In the same period the British ratios were 58.0%, 36.4% and 43.4%. In 1943 the Canadian ratio fell to 43.7% while that of the United Kingdom rose to 48.1%. Current British proposals in the United Kingdom would raise this to 50.5% for the fiscal year 1944. The ratios for the United States are lower than those for Canada in all four years, although during two of the years we were not actively engaged in war. In comparison with those of the United Kingdom, United States ratios are somewhat higher only for the period in which the United Kingdom was engaged in the war and we were not.

"The United States ratio for the fiscal year 1944 would be 35.1% upon the basis of present tax laws and 46.1% if Congress enacts tax legislation sufficient to raise the $12 billion which the administration has requested, at which point, the United States would have a ratio somewhat in excess of that for Canada in 1943 and somewhat less than that for Great Britain for the years 1943 and 1944."

Senate Group Votes Father-Draft Delay

Legislation postponing the drafting of married men with children until Jan. 1, 1944 was favorably reported on July 2 by the Senate Military Affairs Committee.

The measure, sponsored by Senator Wheeler (Dem., Mont.), was approved by a vote of 11 to 5. Under the bill any man married before Dec. 8, 1941, who has a child or children under 18 years of age and has maintained a bona fide relationship with his family since that date, would be exempt until Jan. 1 from the provisions of the Selective Service Act. Senator Wheeler expressed the hope that the Senate would take up the measure before the summer recess.

Under present regulations, fathers of children born after Sept. 15, 1942, are subject to the draft. Fathers of children born before that date are deferred but the last officially mentioned date for this deferment is Oct. 1.

The Selective Service recently took steps to speed up the induction of childless men now deferred because of their occupations. As the supply of childless men is exhausted, present plans call for the drafting of fathers at least by the last quarter of this year.

National Fertilizer Association Price Index Continues To Decline

Another decline occurred in the general level of wholesale commodity prices last week, according to the price index compiled by The National Fertilizer Association and made public on July 5. The index eased off to 134.8 in the week ended July 3, reaching the lowest point since February, 1943. Based on the 1935-1939 average as 100, this index was 135.0 a week ago, 135.7 a month ago, and 127.3 a year ago. The Association's report went on to say:

With one exception, price changes occurred in the food and farm products groups. Although changes in the food group were almost evenly balanced, the decreases occurred in the more heavily weighted commodities, resulting in a decline in the food price index. Grain quotations were higher and more than offset declines in prices for livestock, causing the farm product index to advance slightly. The textile index advanced fractionally because of an increase in the quotation for cotton. All other group index numbers remained unchanged.

Although the all-commodity index was lower, during the week price advances outnumbered declines 10 to 6; in the preceding week there were 6 advances and 6 declines; in the second preceding week there were 7 advances and 8 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX

Compiled by The National Fertilizer Association

1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week July 3 1943	Preceding Week June 26 1943	Month Ago May 29 1943	Year Ago June 27 1942
25.3	Foods	138.3	138.8	140.8	125.2
	Fats and Oils	145.1	145.1	147.9	137.0
	Cottonseed Oil	159.0	159.0	159.0	158.4
23.0	Farm Products	152.7	152.4	152.8	135.3
	Cotton	201.0	200.1	202.0	181.1
	Grains	148.1	142.5	152.6	113.1
	Livestock	145.3	146.6	146.8	132.0
17.3	Fuels	122.8	122.8	122.8	119.7
10.8	Miscellaneous commodities	130.1	130.1	140.1	127.9
8.2	Textiles	151.3	151.2	151.4	147.5
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	152.6	152.6	152.6	151.6
1.3	Chemicals and drugs	126.6	126.6	126.6	120.7
.3	Fertilizer materials	117.7	117.7	117.7	117.8
.3	Fertilizers	119.8	119.8	119.8	115.3
.3	Farm machinery	104.1	104.1	104.1	104.1
100.0	All groups combined	134.8	135.0	135.7	127.3

*Indexes on 1926-1928 base were July 3, 1943, 105.0; June 26, 105.2, and July 4, 1942, 100.3.

June Civil Eng. Construction $274,493,000; Tops Month Ago As Private Work Gains

Civil engineering construction volume in continental United States totaled $274,493,000 in June, an increase of 0.3% over May, 1943, but 72% below the $968,938,000 reported for June, 1942 by "Engineering News-Record" on July 1. Private construction topped the preceding month by 230%, was 79% above the corresponding 1942 month, and reached the highest monthly total since October, 1941. The report went on to say:

Public work declined 20% from a month ago and 78% from a year ago as both State and municipal work and Federal volume were lower. The State and municipal total was 3% lower than last month and 47% below that for last year. Federal construction was down 21% and 80% when compared with the respective totals for a month ago and a year ago.

Continental U. S. civil engineering construction volumes for the 1942 month, last month, and June, 1943, were:

	June, 1942 (4 weeks)	May, 1943 (4 weeks)	June, 1943 (4 weeks)
Continental U. S. construction	$968,938,000	$273,650,000	$274,493,000
Private construction	40,647,000	22,014,000	72,718,000
Public construction	928,291,000	251,636,000	201,775,000
State and municipal	41,384,000	22,649,000	21,956,000
Federal	886,907,000	228,987,000	179,819,000

Six-Month Volume Lower

Construction volume for the first six months of 1943 totaled $1,766,252,000 and averaged $70,650,000 for each of the 25 weeks of the period. On the weekly average basis, the 1943 volume was 63% below the $4,905,294,000 reported for the 26-week period last year. Private construction, $222,484,000, was 32% below a year ago, and public construction, $1,543,768,000, declined 65% when adjusted for the difference in the number of weeks. Federal work, $1,443,407,000, was down 64%, and State and municipal volume, $100,361,000, decreased 68% from the period in 1942.

New Capital

New capital for construction purposes for June totaled $4,644,000 and was made up entirely of State and municipal bond sales. The month's new financing total was 93% lower than the $67,471,000 reported for new capital in the corresponding month a year ago.

The new financing total for 1943 to date, $497,066,000, compares with $6,886,294,000 reported for the six-month period in 1942.

Steel Operations Rebound To 96.6% Of Rated Capacity—Lend-Lease Demand Is Increasing

"A recession from the high production tempo prevailing since Pearl Harbor appears to be developing in some manufacturing areas," states the "Iron Age" in its issue of today (July 8), further adding: "Reminiscent of the seasonal slumps experienced in peacetimes, it has not reached large proportions yet and may be very short-lived. In addition to the need for a little recuperation after 19 months of pressure, there are psychological factors such as the lull in the Allies' advance toward the Continent, the changes in military requirements, the recent audacious coal strikes, the hot weather—factors which when combined might explain a slight letdown.

"However, authorities directing the war effort, picturing probabilities six to 12 months away, are starting to drive harder than ever for airplanes, ships, steel mill equipment and locomotives, among other items. All the facts seem to emphasize anew the often-repeated warning that there is little hope for more civilian steel for some time to come. Lend-Lease demand is increasing.

"The battle which has seesawed for the past two years between the WPB and the Army flared again during the past week when the Army intensified efforts to take away most of the WPB's authority over allocations of material through cutting the Class B list of products under CMP. At the end of this year, WPB now plans, under Army pressure, to voluntarily reduce its jurisdiction over more than 300 Class B product classifications to a mere 22. This means the WPB may relinquish authority over approximately 3,000,000 of the 5,000,000 tons of steel handed out to Class B product manufacturers per quarter.

"The Lend-Lease steel for American use will not be an important factor in connection with the big drive to increase the third and fourth quarter supply by 1,000,000 tons each, because redistribution of Lend-Lease steel has been in full operation for about two months.

"Other highlights in the metals and metalworking industries this week include:

"A revelation that the molybdenum supply and demand are now more or less in balance. Molybdenum was the tightest of all materials not long ago.

"This week, almost two weeks after John L. Lewis gave the back-to-work order, miners in the Birmingham and western Pennsylvania districts were nearly 100% back on the job. But whether the period between now and Oct. 31 will be fraught with new outlaw coal mine work stoppages remains to be seen. The issue has not been settled and some observers expect recurring trouble until the miners have a contract and some sort of a raise."

The American Iron and Steel Institute on July 6 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 91% of the steel capacity of the industry will be 96.6% of capacity for the week beginning July 5, compared with 90.3% one week ago, 97.5% one month ago and 97.0% one year ago. This represents an increase of 6.3 points or 7.0% from the preceding week. The operating rate for the week beginnig July 5 is equivalent to 1,672,800 tons of steel ingots and castings, compared to 1,563,700 tons one week ago, 1,688,400 tons one month ago, and 1,659,600 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on July 5 stated in part as follows: "Transition of steel distribution control from Production Requirements Plan to Controlled Materials Plan is now complete, as of July 1, and while some difficulties are being met in application of the new method, most steel users have followed instructions and are well covered.

"Observers believe that once the trade becomes thoroughly familiar with CMP procedure less confusion will result. Some buyers failed to recognize that they no longer are being supplied on a month-to-month basis and have come into the market to find mills fully booked for the period in which they had expected to get on rolling schedules. That most users have placed orders promptly and much further ahead than permitted under the former system is reflected by the fact that third quarter capacity generally is booked full. Some producers are sold through October and also have some orders extending into next year.

"Impact of the coal stoppage is felt mainly in output of pig iron as blast furnaces are banked because of lack of coke and effect on finished steel production will come later, as supply of ingots and semifinished steel is depleted.

"Plate orders continue heavy and some producers are booked through October, with some requirements not yet filled, indicating that full production through the year may be completely covered within a short time. Efforts of War Production Board to obtain larger steel output during the remainder of the year are caused in large part by need for more plate tonnage, for shipbuilding and other war purposes.

"Sheet deliveries are tightening, despite numerous cancellations, though the latter apparently have ceased.

"Wire products are assuming a more important role in the war effort and producers of heavy tonnage lines are booked to the end of the year in most cases. Specialties requiring long processing are in much the same position. Few mills have fourth quarter capacity for these products and an increasing number of orders is appearing for next year. Wire mills booked more tonnage in June than was shipped and in some cases it was double shipments.

"Shipbuilding requirements for cold-drawn bars are increasing in some districts and are pressing aircraft needs, which have held first place for some time. In both cases demand is increasing but ship work is gaining faster. These developments are more than making up for smaller consumption by the machine tool industry.

"Office of Price Administration is extending the zone system set up a fortnight ago in establishing dollars-and-cents prices on ferrosilicon and ferrochromium and has taken similar action on ferromanganese and other manganese alloys, including spiegeleisen."

Congress Gives Nat'l Resources Planning Board Until Aug 31 to Liquidate

Dissolution Approved In Appropriations Bill

Final Congressional action on the $2,621,000,000 Independent Offices Appropriation bill came on June 18 when the Senate approved a conference report which provides for the dissolution of the National Resources Planning Board. The House had adopted the report on June 16.

Noting that the Board, author of the "American Beveridge Plan" for post-war social security is given by Congress until Aug. 31 to liquidate itself, with an allowance of $50,000 for that purpose, special advices June 18 to the New York "Times" from Washington said:

"To prevent any transferring of its functions to another agency, the same Congressional action provided that all NRPB records and files be delivered to the National Archives.

"This summary order for shutting down the long-disputed agency, headed by President Roosevelt's uncle, Frederic A. Delano, was a provision in the Independent Offices Supply bill for the 1943-44 fiscal year.

"It gave Mr. Roosevelt a choice between accepting the ultimatum or vetoing $2,600,000,000 of appropriations for a score of Federal establishments, including the executive offices.

"The President had appealed directly to Congress for a continuation of the Board with appropriations to finance it in full operation.

"The Independent Offices Measure was sent to the White House when the Senate approved the conference report by a voice vote, without debate, after a sketchy explanation of the Senate-House agreement had been given by Senator Kenneth McKellar, acting Chairman of the Appropriations Committee.

"The NRPB had requested $1,400,000 for a special war and post-war program. The House Appropriations Committee, which had complained that previous appropriations to the board had been supplemented by allotments from the President's special emergency fund, allowed nothing, and the House concurred.

"The Senate Appropriations Committee allowed $200,000, but directed that the NRPB be shrunken to a skeleton organization with functions limited to assisting State and local agencies in their war and post-war planning.

"Refusing to approve this, the House adopted and sent back to the Senate a compromise under which $50,000 would be appropriated under the following conditions.

"That the NRPB be abolished, effective Aug. 31; that its functions not be transferred to any other agency, and that none of its functions be performed after that date without express authority of Congress.

"That the director, Charles W. Eliot, be permitted to remain until Jan. 1, if necessary, to wind up the board's affairs.

"That payment of accumulated and accrued annual leaves to employes of the board be made out of the $50,000 fund, and that this $50,000 not be supplemented by funds from 'any source.'

"In the same appropriation bill Congress advanced from July 1, 1945, to Feb. 1, 1944, the deadline for submission of plans for liquidation of the Home Owners Loan Corporation."

Previous reference to funds for the NRPB was mentioned in these columns June 10, page 2192.

Labor Heads Urge Veto Of Anti-Strike Bill

President Roosevelt was requested on June 17 to veto the War Labor Disputes Act in a statement submitted to him by William Green, President of the American Federation of Labor, Philip Murray, President of the Congress of Industrial Organizations, and David B. Robertson, President of the Brotherhood of Locomotive Firemen and Enginemen.

In their analysis of the bill, the three labor leaders contended that the bill would "hamstring" the functioning of the War Labor Board and might force the AFL or CIO officials to resign from the WLB.

They said the bill would virtually destroy unions and minority rights, violate the guarantee of free speech and encourage strikes. From Associated Press advices from Washington June 17 we quote:

The three leaders said the legislation "is a wicked, vicious bill. It is the worst anti-labor bill passed by Congress in the last 100 years. It is born of revenge and malice. It is the very essence of Fascism. It destroys the philosophy of voluntarism on which free trade unionism is founded.

"It destroys the foundation on which the principles of collective bargaining rest. Compulsion, civil damages and criminal penalties are the unholy trinity by which this act accomplishes its evil purpose."

Passage of the anti-strike bill and labor's objections to it were reported in our issue of June 17, page 2287.

Weekly Coal And Coke Production Statistics

The Bituminous Coal Division, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended June 19, 1943, is estimated at 4,600,000 net tons, compared with 12,100,000 tons in the preceding week and 11,328,000 tons in the corresponding period of 1942. The decline in output was affected by the nation-wide coal strike which had begun at midnight on June 20 and lasted for two days before the men started to return to work. For the present year to June 26, soft coal production was 0.6% below that for the same period last year.

The U. S. Bureau of Mines estimated that the total output of Pennsylvania anthracite for the week ended June 26 was 284,000 tons, a decrease of 78.9% from the preceding week. When compared with the output in the same week last year there was a decrease of 962,000 tons, or 77.2%. The calendar year 1943 to June 26 shows a decrease of 0.4% when compared with the corresponding period of 1942.

The Bureau of Mines also reported that the estimated production of byproduct coke in the United States in the week ended June 26 showed a decrease of 58,400 tons when compared with the output for the week ended June 19. The quantity of coke from beehive ovens decreased 106,300 tons during the same period.

ESTIMATED UNITED STATES PRODUCTION OF COAL, WITH COMPARABLE DATA ON PRODUCTION OF CRUDE PETROLEUM

(In Net Tons—000 Omitted.)

	Week Ended			January 1 to Date		
Bituminous coal and lignite—	June 26 1943	June 19 1943	June 27 1942	†June 26 1943	June 27 1942	June 26 1937
Total, incl. mine fuel	4,600	12,100	11,328	280,358	281,966	220,250
Daily average	767	2,017	1,888	1,865	1,874	1,474
*Crude Petroleum—						
Coal equivalent of weekly output	6,335	6,353	5,958	158,739	154,758	137,689

*Total barrels produced during the week converted into equivalent coal assuming 6,000,000 B. t. u. per barrel of oil and 13,100 B. t. u. per pound of coal. Note that most of the supply of petroleum products is not directly competitive with coal (Minerals Yearbook, Review of 1940, page 775). †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Cal. Year to Date		
Penn. anthracite—	§June 26 1943	¶June 19 1943	June 27 1942	June 26 1943	June 27 1942	June 29 1929
*Total incl. coll. fuel	284,000	1,345,000	1,246,000	29,112,000	29,233,000	35,512,000
†Commercial production	273,000	1,291,000	1,196,000	27,948,000	28,064,000	32,955,000
Beehive coke—						
United states total	53,800	160,100	179,800	3,794,600	4,059,700	3,356,800
By-product coke—						
United States total	1,158,100	1,216,500	1,189,100	30,751,900	29,955,500	‡

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Comparable data not available. §Subject to revision. ¶Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES
(In Thousands of Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended					June
State—	June 19 1943	June 12 1943	June 20 1942	June 21 1941	June 19 1937	Avge. ¶1923
Alabama	390	382	370	362	234	387
Alaska	6	6	5	3	3	**
Arkansas and Oklahoma	88	78	80	18	15	70
Colorado	145	136	120	89	74	175
Georgia and North Carolina	1	1	1	1	††	**
Illinois	1,476	1,458	1,151	894	603	1,243
Indiana	506	506	338	366	255	416
Iowa	35	36	43	39	21	88
Kansas and Missouri	164	144	120	114	66	128
Kentucky—Eastern	943	908	962	955	699	661
Kentucky—Western	298	310	243	168	117	183
Maryland	39	41	38	37	24	47
Michigan	7	5	††	1	3	12
Montana (bituminous and lignite)	92	87	52	44	33	38
New Mexico	34	29	31	24	33	51
North and South Dakota (lignite)	31	30	17	23	13	**14
Ohio	682	663	708	608	437	888
Pennsylvania (bituminous)	2,938	2,765	2,806	2,824	1,961	3,613
Tennessee	130	126	153	153	94	113
Texas (bituminous and lignite)	3	2	6	7	18	21
Utah	107	110	113	49	36	89
Virginia	414	418	398	406	226	240
Washington	31	22	39	32	30	44
*West Virginia—Southern	2,360	2,321	2,219	2,242	1,598	1,380
†West Virginia—Northern	1,012	1,005	885	829	504	856
Wyoming	167	145	108	76	80	104
‡Other Western States	1	1	††	††	1	**
Total bituminous and lignite	12,100	11,735	11,006	10,364	7,178	10,866
§Pennsylvania anthracite	1,345	1,317	1,219	1,255	989	1,956
Total all coal	13,445	13,052	12,225	11,619	8,167	12,822

*Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. †Rest of State, including the Panhandle District and Gfant, Mineral, and Tucker counties. ‡Includes Arizona, California, Idaho, Nevada and Oregon. §Data for Pennsylvania anthracite from published records of the Bureau of Mines. ¶Average weekly rate for entire month. **Alaska, Georgia, North Carolina, and South Dakota included with "Other Western States." ††Less than 1,000 tons.

May Building Permit Valuation Down Only Slightly From April, Secretary Perkins Reports

May, 1943, marked the second consecutive month that the total volume of building construction registered only a slight decrease, Secretary of Labor Frances Perkins reported on June 20. "The slight declines of 2% in May and 1% in April, 1943, followed the sharp downward movement which started early in 1942," she said. "The effect on the total of the increase of 19% between April and May, 1943, in the volume of privately financed work was completely nullified by a 31% decline in the value of Federal building projects put under contract. The valuation of new residential building rose 15% between April and May, 1943, while the valuation of new nonresidential structures put under construction declined 26% and additions, alterations and repairs to existing structures increased slightly more than 1%." She added:

"When compared with the same month a year ago, the May dollar volume of building construction started in urban areas showed a decrease of 71%. All classes of building activity showed declines but the drop of 88% in the non-residential category was most pronounced. New residential valuations fell off 43% while additions, alterations and repairs decreased 29%."

	Percentage change from:					
	April, 1943 to May, 1943			May, 1942 to May, 1943		
Class of construction	Total	Other than Federal	Federal	Total	Other than Federal	Federal
All building construction	— 2.3	+19.3	—30.6	—71.3	—21.7	—88.2
New residential	+15.2	+21.2	— 1.0	—42.7	— 4.8	—75.3
New nonresidential	—25.6	+33.5	—40.3	—87.8	—57.0	—91.3
Additions, alterations, & repairs	+ 1.3	+ 9.3	—74.7	—28.9	—17.3	—89.5

The Labor Department's announcement also had the following to say:

"The 18,920 family dwelling units represented by permits issued and Federal contracts awarded during May, 1943, marks an increase of 22% when compared with the total reported for April, 1943, but is a decrease of 27% from the total for May, 1942. Federal housing projects for war workers accounted for 6,574, or 35% of the May total. Federally financed units contracted for in May, 1943, increased 16% from the April total but was only half of the number put under contract during May of last year. The number of privately financed family dwelling units started in May was 25% greater than in April or about the same as a year ago. Accommodations were provided in dormitories for 564 war workers during May, 1943.

"The Bureau of Labor Statistics has revised its method of summarizing reports on building permits. Through January, 1943, the figures covered a specified number of reporting cities, which varied from month to month. Beginning with the February, 1943, comparisons, the data cover all building construction in urban areas of the United States which, by Census definiation, includes all cities and towns with population of 2,500 or more in 1940. The principal advantage of this change is that figures for every month will be comparable since estimates are made for any cities failing to report in a given month. As in the past, the value of contracts awarded by the Federal Government for building construction will be combined with information obtained from the building-permit reports. However, because of the volume of Federally financed construction at the present time, the contract value of such construction will also be shown separately.

"Principal centers of various types of building construction for which permits were issued or contracts were awarded in May, 1943, except projects which have been excluded because of their confidential nature were: West Springfield, Mass., 27 apartments providing 264 units to cost $800,000; Darby, Pa., 486 one-family dwellings to cost $1,458,000; Brookfield, Ill., 50 one-family dwellings to cost $250,000, 50 units in two-family dwellings to cost $225,000; Chicago, Ill., 130 one-family dwellings to cost $589,400; Dearborn, Mich., 69 one-family dwellings to cost $311,000; Detroit, Mich., 554 one-family dwellings to cost $3,061,400, 50 units in two-family dwellings to cost $226,800; Royal Oak, Mich., 55 one-family dwellings to cost $267,600; Akron, Ohio, 46 one-family dwellings to cost $200,800; Lakewood, Ohio, 10 apartments providing 120 dwelling units to cost $372,000; Maple Heights, Ohio, 43 one-family dwellings to cost $206,200; Dayton, Ohio, 14 apartments providing 56 dwelling units to cost $206,000; Milwaukee, Wis., 70 units in two-family dwellings to cost $234,500; Wichita, Kans., 182 units in two-family dwellings to cost $342,150 and one public utility building to cost $54,000; Elsmere, Del., 61 one-family dwellings to cost $218,000; Wilmington, Del., 290 one-family dwellings to cost $1,160,000, 112 units in two-family dwellings to cost $286,000; Washington, D. C., 25 apartments providing 174 dwelling units to cost $457,000; Savannah, Ga., 204 units in two-family dwellings to cost $518,000; Baltimore, Md., 110 units in two-family dwellings to cost $225,400 and six apartments providing 168 dwelling units to cost $450,000; Arlington Co., Va., 22 apartments providing 305 dwelling units to cost $797,000; Portsmouth, Va., 295 one-family dwellings to cost $600,000; Fort Worth, Texas, 188 one-family dwellings to cost $435,093, 124 units in two-family dwellings to cost $219,000, one apartment providing 248 dwelling units to cost $500,000; Houston, Texas, 89 one-family dwellings to cost $230,175 and one factory to cost $100,000; Denver, Colo., 46 one-family dwellings to cost $198,000 and 11 apartments providing 62 dwelling units to cost $135,000; Los Angeles, Calif., 210 units in two-family dwellings to cost $418,725; San Diego, Calif., 112 one-family dwellings to cost $386,810, 28 apartments providing 114 dwelling units to cost $285,533; San Francisco, Calif., 292 one-family dwellings to cost $878,500; San Leandro, Calif., 110 one-family dwellings to cost $330,000; Torrance, Calif., two factories to cost $3,966,000; Portland, Ore., 94 one-family dwellings to cost $391,620, 26 apartments providing 114 dwelling units to cost $375,500 and one factory to cost $50,000; Seattle, Wash., 113 one-family dwellings to cost $425,100.

"In addition, contracts were awarded during May, 1943, for the following Federally financed housing projects containing the indicated number of housekeeping units: Bristol, Conn., $189,345 for 100 units; Waterbury, Conn., $507,650 for 264 units; Muskegon Heights, Mich., $649,643 for 122 units; Saginaw, Mich., $249,600 for 250 units; Ypsilanti, Mich., $408,170 for 100 units; Dayton, Ohio, $138,604 for 72 units; Warren, Ohio, $460,765 for 190 units; Garden City, Kans., $461,067 for 226 units; Baltimore, Md., $661,400 for 248 units; Mobile, Ala., $524,732 for 200 units; Gulfport, Miss., $606,799 for 414 units; Houston, Texas, $1,053,711 for 436 units; Riverside, Calif., $203,930 for 140 units; San Bernardino, Calif., $631,900 for 420 units; San Diego, Calif., $1,300,054 for 840 units; San Francisco, Calif., $3,098,162 for 2,552 units.

"Federal contracts were also awarded for dormitory accommodations for 50 persons at Bristol, Conn., to cost $31,691; for 200 persons at Dayton, Ohio, to cost $129,086; for 250 persons at Portsmouth, Va., to cost $161,000. Dormitory units were also provided for 64 persons in Lock Haven, Pa., by conversion at a cost of $22,737."

End Of 'No Strike' Pledge Asked By CIO Group Unless Other Conditions Are Lived Up To

The Michigan CIO Council recommended to its affiliated unions and to the national CIO on June 30 that labor's "no-strike" pledge no longer be considered binding unless the "assurances made to labor" at the time the pledge was made were "immediately put into operation."

These assurances, the CIO Council declared, were that the cost of living would be kept down, that adequate adjustment machinery would be maintained to settle management-labor grievances and that taxes would not put undue burdens on the workingman.

In Associated Press Detroit advices, June 30, to the New York "Times" the following was also reported:

"Since the start of the war, the Council's resolution said, these assurances 'have been shamefully and wilfully disregarded.' It was adopted by a rising vote after a hot two-hour debate.

"Speakers at the convention, at which were 1,800 delegates representing a CIO membership in Michigan of about 700,000, made it clear that the resolution, as adopted, did not in itself revoke the 'no-strike' pledge. It was described as merely a recommendation to national CIO headquarters that such revocation be considered.

"Representatives of the United Steel Workers of America announced that they were not in accord with the Council's action and notified Philip Murray, President of the CIO, 'one hundred per cent' that they would 'continue to rely on your judgment in the future.'

"Victor Reuther, head of Local 174, United Automobile Workers, told the convention that the resolution would be a 'a weapon in the hands of the CIO's President, Mr. Murray, to use to obtain, immediately, the safeguards that labor demands.'

"I oppose the immediate revocation of the 'no-strike' pledge because we must abide by the democratic decisions of the entire CIO," Mr. Reuther said. "But the men in the shop must tell the union officials, and the Government, that we take these problems seriously. The 'no-strike' pledge, without speedier settlement of grievances and without 'rollback' of prices, will lead to more strikes."

Lumber Movement—Week Ended June 26, 1943

According to the National Lumber Manufacturers Association, lumber shipments of 468 mills reporting to the National Lumber Trade Barometer exceeded production by 1.1% for the week ended June 26, 1943. In the same week new orders of these mills were 6.9% less than production. Unfilled order files in the reporting mills amounted to 103% of stocks. For reporting softwood mills, unfilled orders are equivalent to 40 days' production at the current rate, and gross stocks are equivalent to 36 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 12.6%; orders by 15.2%.

Compared to the average corresponding week of 1935-39 production of reporting mills was 34.1% greater; shipments were 43.7% greater, and orders were 32.3% greater.

Fed. Procurement Review Boards To Be Set Up

James F. Byrnes, Director of War Mobilization, announced on June 30 that he has asked all the procurement agencies of the Government to set up boards of review to pass on their own programs in order to bring them into balance with the over-all war strategy.

The boards, Mr. Byrnes said, will consist of personnel different from that used in developing their current procurement and requirement objectives.

The review process will be a continuous affair, he indicated, adding that it does not mean any great reduction in the war program but simply assurance of the most effective use of manpower and materials.

Mr. Byrnes said another objective of the program will be to prevent accumulation by the Government of great quantities of goods which would be of no use after the war.

Daily Average Crude Oil Production For Week Ended June 26, 1943 Fell Off 11,250 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended June 26, 1943 was 3,954,900 barrels, a decline of 11,250 barrels from the preceding week, and 264,000 barrels less than the daily average figure recommended by the Petroleum Administration for War for the month of June, 1943. The current figure, however, is 235,450 barrels per day more than produced in the week ended June 27, 1942. Daily output for the four weeks ended June 26, 1943 averaged 3,960,450 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,015,000 barrels of crude oil daily and produced 11,092,000 barrels of gasoline, 1,488,000 barrels of kerosene; 3,876,000 barrels of distillate fuel oil, and 8,126,000 barrels of residual fuel oil during the week ended June 26, 1943; and had in storage at the end of that week 79,589,000 barrels of gasoline; 7,788,000 barrels of kerosine; 34,044,000 barrels of distillate fuel, and 67,960,000 barrels of residual fuel oils. The above figues apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations June	*State Allowables Begin. June 1	Actual Production Week Ended June 26, 1943	Change from Previous Week	4 Weeks Ended June 26, 1943	Week Ended Juen 27, 1942
Oklahoma	373,500	373,500	†339,450	+ 5,350	334,200	369,300
Kansas	300,000	300,000	†306,950	+ 4,350	296,450	272,100
Nebraska	2,400	------	†2,200	+ 150	2,100	3,750
Panhandle Texas			90,100	----	90,150	107,000
North Texas			131,800	----	131,800	149,400
West Texas			228,950	----	228,800	234,450
East Central Texas			123,500	----	123,550	94,050
East Texas			334,900	----	335,200	295,000
Southwest Texas			208,250	+ 900	208,000	163,600
Coastal Texas			380,200	----	379,850	280,800
Total Texas	1,602,000	‡1,603,709	1,497,700	+ 900	1,497,350	1,324,300
North Louisiana			84,700	— 1,100	85,450	90,700
Coastal Louisiana			240,850	----	242,300	220,000
Total Louisiana	330,800	350,550	325,550	— 1,100	327,750	310,700
Arkansas	72,800	75,043	75,150	— 600	74,450	73,700
Mississippi	50,000		53,100	— 300	53,350	83,500
Illinois	246,200		207,750	+ 8,650	215,950	274,900
Indiana	15,500		14,500	+ 700	13,800	18,650
Eastern (not incl. Ill. Ind., Ky.)	88,400		76,950	— 950	78,100	86,650
Kentucky	23,100		19,800	— 1,600	21,300	11,800
Michigan	58,900		54,400	----	56,950	65,700
Wyoming	97,000		92,000	— 1,300	93,200	92,150
Montana	22,300		20,850	— 50	20,900	22,350
Colorado	7,000		6,900	— 250	7,050	7,450
New Mexico	105,700	105,700	97,150	----	97,050	65,150
Total East of Calif.	3,395,600		3,190,400	— 4,350	3,189,950	3,082,150
California	823,300	§823,300	764,500	— 6,900	770,500	637,300
Total United States	4,218,900		3,954,900	—11,250	3,960,450	3,719,450

*P.A.W. recommendations and state allowables represent the production of all petroleum liquids, including crude oil, condensate and natural gas derivatives recovered from oil, condensate and gas fields. Past records of production indicate, however, that certain wells may be incapable of producing the allowables granted, or may be limited by pipeline proration. Actual state production would, under such conditions, prove to be less than the allowables. The Bureau of Mines reported the daily average production of natural gasoline and allied products in March, 1943, as follows: Oklahoma, 27,700; Kansas, 5,600; Texas, 105,800; Louisiana, 20,400; Arkansas, 2,500; Illinois, 10,600; Eastern (not including Illinois, Indiana or Kentucky), 9,700; Kentucky, 3,500; Michigan, 100; Wyoming, 2,200; Montana, 300; New Mexico, 5,500; California, 43,400.

†Oklahoma, Kansas, Nebraska figures are for week ended 7 a.m., June 24, 1943.

‡This is the net basic allowable as of June 1 calculated on a 30-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 3 to 14 days, the entire state was ordered shut down for 10 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 10 days shut-down time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED JUNE 26, 1943

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuels	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast, Texas Gulf, Louisiana Gulf, North Louisiana - Arkansas and Inland Texas	2,444	88.7	1,899	77.7	5,103	31,438	13,950	12,403
Appalachian	177	84.8	153	86.4	432	2,426	987	578
Ind., Ill., Ky.	824	85.2	747	90.7	2,340	16,670	4,856	3,332
Okla., Kans., Mo.	416	80.1	360	86.5	1,268	6,352	1,818	1,612
Rocky Mountain	147	55.9	104	70.7	315	1,846	347	622
California	817	89.9	752	92.0	1,634	20,857	12,086	49,413
Tot. U. S. B. of M. basis June 26, 1943	4,825	86.4	4,015	83.2	11,092	†79,589	34,044	67,960
Tot. U. S. B. of M. basis June 19, 1943	4,825	86.4	3,905	80.9	11,152	79,806	33,558	67,455
U. S. Bur. of Mines basis June 27, 1942			3,597		10,585	88,461	32,206	77,790

*At the request of the Petroleum Administration for War. †Finished, 69,048,000 barrels; unfinished, 10,541,000 barrels. ‡At refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,488,000 barrels of kerosine, 3,876,000 barrels of gas oil and distillate fuel oil and 8,126,000 barrels of residual fuel oil produced in the week ended June 26, 1943, which compares with 1,652,000 barrels, 3,734,000 barrels and 8,198,000 barrels, respectively, in the preceding week and 1,150,000 barrels, 3,549,000 barrels and 6,615,000 barrels, respectively, in the week ended June 27, 1942.

Note—Stocks of kerosine amounted to 7,788,000 barrels at June 26, 1943, against 7,372,000 barrels a week earlier and 9,355,000 barrels a year before.

Wholesale Commodity Index Again Declines During Week Ended June 26, Says Labor Dept.

The U. S. Department of Labor announced on July 1 that prices for agricultural commodities in primary markets, particularly grains, meats, and potatoes, dropped sharply during the week ended June 26 and the Bureau of Labor Statistics' all-commodity index of nearly 900 series fell 0.4% to the lowest level since March. This represents the second consecutive decrease and the general level of prices is nearly 1% below the peak reached late last month.

The Department's announcement further stated:

"Farm products and foods. Led by a decline of 1.8% for grains, average prices for farm products in primary markets dropped 0.6% during the early part of the last week of June. Quotations for oats were down 7% and corn, rye, and wheat about 1½%. Barley, on the other hand, advanced nearly 1%. Lower prices were reported for hogs and lambs, and for hay, onions, apples and potatoes. Prices for cattle advanced substantially and cotton increased slightly.

"Prices for foods continued downward with an average drop of 0.9%. The cumulative decline in the past two weeks has been 2.6%. In addition to the sharp decrease in prices for fruits and vegetables, meats dropped 2.8%. Quotations for mutton declined 13%, veal 10%, lamb nearly 8%, beef at Chicago 9% and at New York 4%. Wheat flour declined slightly. A few foods such as citrus fruits, rye flour and eggs advanced.

"Industrial commodities. Markets for industrial commodities continued comparatively steady. Slightly higher prices were reported for bituminous coal in some areas while lower prices were reported for certain building materials such as maple flooring and plaster."

The following notation is made:

During the period of rapid changes caused by price controls, materials allocation, and rationing the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following table shows index numbers for the principal groups of commodities for the past 3 weeks, for May 29, 1943 and June 27, 1942 and the percentage changes from a week ago, a month ago, and a year ago:

(1926=100)

Commodity groups—	6-26 1943	6-19 1943	6-12 1943	5-29 1943	6-27 1942	Percentage changes to June 26, 1943 from— 6-19 1943	5-29 1943	6-27 1942
All commodities	*103.1	*103.5	*104.0	*104.0	98.4	—0.4	—0.9	+ 4.8
Farm products	*126.2	*127.0	*127.6	*126.7	104.6	—0.6	—0.4	+20.7
Foods	108.0	109.0	110.9	110.7	99.3	—0.9	—2.4	+ 8.8
Hides and leather products	118.4	118.4	118.4	118.4	118.9	0	0	— 0.4
Textile products	96.9	96.9	96.9	96.9	97.3	0	0	— 0.4
Fuel and lighting materials	81.4	81.4	81.4	81.3	79.2	0	+0.1	+ 2.8
Metals and metal products	*103.9	*103.9	*103.9	*103.9	104.0	0	0	— 0.1
Building materials	110.4	110.4	110.4	110.3	110.0	0	+0.1	+ 0.4
Chemicals and allied products	100.2	100.2	100.2	100.2	97.2	0	0	+ 3.1
Housefurnishing goods	104.3	104.3	104.3	104.2	104.5	0	+0.1	— 0.2
Miscellaneous commodities	91.6	91.8	91.7	91.7	90.0	—0.2	—0.1	+ 1.8
Raw materials	*114.2	*114.5	*114.8	*114.3	99.6	—0.3	—0.1	+14.7
Semimanufactured articles	92.7	92.9	92.9	92.9	92.8	—0.2	—0.2	— 0.1
Manufactured products	*99.7	*100.0	*100.7	*100.9	98.8	—0.3	—1.2	+ 0.9
All commodities other than farm products	*98.1	*98.4	*98.9	*99.1	97.1	—0.3	—1.0	+ 1.0
All commodities other than farm products and foods	*96.9	*96.9	*96.9	*96.9	96.0	0	0	+ 0.9

*Preliminary.

Civil Engineering Construction, $60,148,000; Up 12% Over Preceding Week

Civil engineering construction in continental U. S. totals $60,148,000 for the week. This volume, not including the construction by military combat engineers, American contracts outside the country, and shipbuilding, is 12% higher than in the preceding week, but is 72% below the volume reported for the corresponding 1942 week by "Engineering News-Record" on July 1, which added:

Private construction tops a week ago by 52%, and public work is 9% higher due to the 17% increase in State and municipal work and the 9% gain in Federal volume. Comparisons with the 1942 week, however, reveal private construction down 76%, public work off 72%, State and municipal down 62% and Federal volume off 73%.

The current week's construction brings 1943 volume to $1,826,400,000, an average of $70,246,000 for each of the 26 weeks. On the weekly average basis, 1943 volume is 63% lower than the $5,123,117,000 for the 27-week 1942 period. Private construction, $227,347,000, is 35% lower than a year ago, and public construction, $1,599,053,000, is down 65% when adjusted for the difference in the number of weeks.

Civil engineering construction volumes for the 1942 week, last week, and the current week are:

	July 2, 1942	June 24, 1943	July 1, 1943
Total U. S. construction	$217,823,000	$53,742,000	$60,148,000
Private construction	20,243,000	3,212,000	4,863,000
Public construction	197,580,000	50,530,000	55,285,000
State and municipal	13,804,000	4,544,000	5,297,000
Federal	183,776,000	45,986,000	49,988,000

In the classified construction groups, gains over last week are in waterworks, sewerage, bridges, industrial and commercial buildings, eathwork and drainage, streets and roads, and unclassified construction. All classes of work were below their respective 1942 weekly totals. Subtotals for the week in each class of construction are: waterworks, $618,000; sewerage, $1,255,000; bridges, $494,000; industrial buildings, $800,000; commercial building and large-scale private housing, $4,013,000; public buildings, $21,735,000; earthwork and drainage, $825,000; streets and roads, $9,942,000; and unclassified construction, $20,466,000.

New capital for construction purposes for the week totals $2,412,857,000. It is made up of $1,369,000 in State and municipal bond sales, $10,000,000 in corporate security issues, and $2,401,488,000 in Federal appropriations for military and departmental construction.

The week's total brings new construction financing to $2,909,923,000 for the 26 weeks of 1943, a volume that is 61% below the new capital total of $7,799,044,000 for the 27-week period last year.

Canada Orders 13% Newsprint Cut In July

Guy E. Hoult, newsprint administrator of the Canadian Wartime Prices and Trade Board announced on June 29 that he has ordered Canadian newsprint manufacturers to make at least a 13% cut on orders from United States newspaper publishers for July delivery. This action it is stated is being taken to bring deliveries on orders totaling 240,000 tons into line with the limit of 210,000 tons a month which Canada has undertaken to supply the United States during the third quarter of this year.

Mr. Hoult's directive to Canadian newsprint producers, follows according to United Press Montreal advices:

"I am pleased to be able to inform you that the War Production Board of the United States is at work on a plan of distribution of newsprint within the United States which will result in their ordering from us no more than the 210,000 tons which Canada has agreed to supply the United States each month through the third quarter of 1943. It is their hope to have the plan ready by July 15 so that it will appear in August orders.

"In the mean time orders which you have received from your United States customers for the month of July, not being affected by this proposed plan, still total approximately 240,000 tons.

"I have discussed with WPB officials and with my advisory committee on production, the best method of taking care of the situation for the month of July. Accordingly, I am permitting shipments of 210,000 tons in direct ratio to order received from the United States' customers for the month of July. This will make necessary a reduction in these orders of 13%.

"It is understood that this reduction cannot be applied absolutely uniformly because of inability to make this percentage cut on small orders in view of carloading requirements. Therefore, when it is necessary to fill these small orders completely, you will have to reduce other orders to a greater extent than 13% so that your total reduction will amount to the over-all tonnage indicated on your operation instructions attached.

"This procedure is obviously an expedient applicable on July orders only, pending the operation of the plan of distribution which WPB is preparing."

President Appoints Six To Fair Employment Group

President Roosevelt announced on July 1 the appointment of the six additional members of the new Committee on Fair Employment, of which Monsignor Francis J. Haas of the Catholic University, Washington, is chairman. The group, consisting of three labor and three industry representatives, will receive and investigate complaints of discrimination, conduct hearings, make findings of fact, and "take appropriate steps to obtain elimination of such discrimination."

Labor representatives are John Brophy, of the Congress of Industrial Organizations, Washington; Milton P. Webster, Vice-President of the Brotherhood of Sleeping Car Porters, Chicago, and Boris Shishkin, of the American Federation of Labor, Washington.

Industry representatives are Miss Sara Southall, supervisor of employment and service of the International Harvester Co., Chicago; P. B. Young, publisher of "The Norfolk (Va.) Journal and Guide," and Samuel Zemurray, President of the United Fruit Co., New Orleans.

Establishment of this Committee was noted in our issue of June 7, page 2112.

Revenue Freight Car Loadings During Week Ended June 26, 1943 Decreased 107,397 Cars

Loading of revenue freight for week ended June 26, 1943, totaled 760,844 cars, the Association of American Railroads announced on July 1. This was a decrease below the corresponding week of 1942 of 95,574 cars, or 10.8%, and a decrease below the same week in 1941, of 147,760 cars or 16.3%.

Loading of revenue freight for the week of June 26, decreased 107,397 cars, or 12.4% below the preceding week.

Miscellaneous freight loading totaled 389,960 cars, an increase of 3,364 cars above the preceding week, and an increase of 4,263 cars above the corresponding week in 1942.

Loading of merchandise less than carload lot freight totaled 98,374 cars, an increase of 165 cars above the preceding week, and an increase of 6.165 cars above the corresponding week in 1942.

Coal loading amounted to 68,470 cars, a decrease of 108,459 cars below the preceding week, and a decrease of 97,743 cars below the corresponding week in 1942.

Grain and grain products loading totaled 55,610 cars, an increase of 5,902 cars above the preceding week, and an increase of 11,544 cars above the corresponding week in 1942. In the Western Districts alone, grain and grain products loading for the week of June 26 totaled 41,694 cars, an increase of 5,976 cars above the preceding week and an increase of 10,643 cars above the corresponding week in 1942.

Live stock loading amounted to 11,521 cars, an increase of 323 cars above the preceding week, and an increase of 845 cars above the corresponding week in 1942. In the Western Districts alone, loading of live stock for the week of June 26, totaled 7,964 cars, an increase of 171 cars above the preceding week, and an increase of 319 cars above the corresponding week in 1942.

Forest products loading totaled 44,856 cars, a decrease of 166 cars below the preceding week and a decrease of 7,495 cars below the corresponding week in 1942.

Ore loading amounted to 81,101 cars, a decrease of 5,264 cars below the preceding week and a decrease of 7,066 cars below the corresponding week in 1942.

Coke loading amounted to 10,952 cars, a decrease of 3,262 cars below the preceding week, and a decrease of 3,087 cars below the corresponding week in 1942.

All districts reported decreases compared with the corresponding weeks in 1942, and 1941 except the Southwestern.

	1943	1942	1941
5 weeks of January	3,530,849	3,858,479	3,454,409
4 weeks of February	3,055,640	3,122,942	2,866,565
4 weeks of March	3,073,426	3,174,781	3,066,011
4 weeks of April	3,136,253	3,350,996	2,793,630
5 weeks of May	4,149,708	4,170,548	4,160,060
Week of June 5	667,575	854,689	852,940
Week of June 12	854,486	832,635	862,974
Week of June 19	868,241	844,913	885,539
Week of June 26	760,844	853,418	908,604
Total	20,097,022	21,063,401	19,850,732

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended June 26, 1943. During this period only 38 roads showed increases when compared with the corresponding week last year.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS)—WEEK ENDED JUNE 26

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1943	1942	1941	1943	1942
Eastern District—					
Ann Arbor	261	372	614	1,374	1,291
Bangor & Aroostook	1,033	1,152	1,056	172	213
Boston & Maine	6,341	6,030	9,299	14,925	13,721
Chicago, Indianapolis & Louisville	1,199	1,497	1,516	1,899	1,973
Central Indiana	41	32	11	43	63
Central Vermont	1,081	992	1,384	3,457	2,415
Delaware & Hudson	4,107	6,321	7,188	11,917	11,423
Delaware, Lackawanna & Western	6,099	7,642	11,003	12,259	10,109
Detroit & Mackinac	245	333	474	120	124
Detroit, Toledo & Ironton	1,731	1,556	3,040	1,163	1,346
Detroit & Toledo Shore Line	295	279	436	2,064	2,679
Erie	11,688	12,965	16,228	17,669	16,283
Grand Trunk Western	3,814	3,677	6,524	8,544	8,062
Lehigh & Hudson River	193	186	227	2,245	3,380
Lehigh & New England	1,090	2,157	2,467	1,191	2,106
Lehigh Valley	5,823	8,943	10,463	14,802	13,659
Maine Central	2,208	2,253	3,198	2,554	2,537
Monongahela	1,963	6,586	6,730	389	315
Montour	726	2,429	2,675	192	39
New York Central Lines	52,780	46,870	53,473	42,513	54,324
N. Y., N. H. & Hartford	9,663	10,011	12,229	17,703	19,519
New York, Ontario & Western	1,253	1,152	1,241	2,063	2,648
New York, Chicago & St. Louis	6,398	7,315	6,792	15,100	16,454
N. Y., Susquehanna & Western	5[illegible]2	436	463	1,376	1,524
Pittsburgh & Lake Erie	6,359	7,846	9,425	6,456	9,838
Pere Marquette	4,964	5,131	7,247	7,738	6,036
Pittsburg & Shawmut	406	787	652	36	40
Pittsburg, Shawmut & North	305	397	527	238	238
Pittsburgh & West Virginia	755	1,171	1,261	3,083	3,667
Rutland	345	376	561	1,022	1,063
Wabash	5,010	5,355	6,240	13,023	13,262
Wheeling & Lake Erie	4,611	5,809	6,166	4,606	5,455
Total	143,319	158,064	190,810	212,012	225,806
Allegheny District—					
Akron, Canton & Youngstown	739	678	723	959	1,025
Baltimore & Ohio	34,540	40,428	44,113	28,915	27,320
Bessemer & Lake Erie	5,655	7,567	7,143	1,575	2,369
Buffalo Creek & Gauley	*290	261	261	*4	3
Cambria & Indiana	0	2,026	2,212	3	3
Central R. R. of New Jersey	5,763	7,001	8,756	21,497	20,609
Cornwall	618	674	670	48	50
Cumberland & Pennsylvania	153	294	352	10	10
Ligonier Valley	199	138	119	45	44
Long Island	1,195	761	814	3,770	3,519
Penn-Reading Seashore Lines	1,765	1,693	1,743	2,973	2,391
Pennsylvania System	69,627	84,247	93,334	62,921	66,970
Reading Co.	12,058	14,536	17,869	24,802	27,923
Union (Pittsburgh)	20,004	21,794	20,952	7,267	8,064
Western Maryland	3,158	4,141	4,580	10,381	12,902
Total	155,764	186,239	203,641	165,170	173,202
Pocahontas District—					
Chesapeake & Ohio	14,946	28,857	30,134	10.678	14,213
Norfolk & Western	13,073	22,500	25,054	6,172	7,347
Virginian	1,994	4,501	4,978	2,121	2,190
Total	30,013	55,858	60,166	18,971	23,750
Southern District—					
Alabama, Tennessee & Northern	292	344	343	300	258
Atl. & W. P.—W. R. R. of Ala.	630	659	791	2,756	2,533
Atlanta, Birmingham & Coast	767	784	1,173	1,084	1,037
Atlantic Coast Line	13,596	11,355	11,266	9,619	8,365
Central of Georgia	4,873	4,072	4,495	4,383	4,484
Charleston & Western Carolina	403	436	441	1,559	1,549
Clinchfield	1,532	1,691	1,724	2,048	2,903
Columbus & Greenville	343	314	428	134	202
Durham & Southern	98	142	190	625	1,095
Florida East Coast	1,558	629	500	1,705	783
Gainesville Midland	33	38	42	87	206
Georgia	1,066	1,515	965	3,078	2,527
Georgia & Florida	415	470	490	633	471
Gulf, Mobile & Ohio	3,504	3,885	4,104	3,832	4,561
Illinois Central System	22,781	26,195	24,751	18,319	16,761
Louisville & Nashville	15,907	26,080	27,735	11,652	10,319
Macon, Dublin & Savannah	202	159	142	771	839
Mississippi Central	233	167	165	372	437
Nashville, Chattanooga & St. L.	3,344	3,436	3,847	4,973	4,427
Norfolk Southern	2,457	2,947	1,894	1,627	1,937
Piedmont Northern	345	376	490	1,170	1,089
Richmond, Fred. & Potomac	388	510	504	11,424	10,293
Seaboard Air Line	10,384	11,133	9,996	8,112	8,441
Southern System	19,425	23,880	25,691	21,909	24,348
Tennessee Central	1,129	656	605	817	1,075
Winston-Salem Southbound	90	96	156	701	753
Total	105,705	121,969	122,928	113,690	111,753
Northwestern District—					
Chicago & North Western	20,454	22,726	23,227	13,744	13,327
Chicago Great Western	2,365	2,448	2,828	3,062	3,087
Chicago, Milw., St. P. & Pac.	19,559	18,757	24,161	10,879	9,940
Chicago, St. Paul, Minn. & Omaha	3,448	3,433	4,105	3,678	3,732
Duluth, Missabe & Iron Range	25,229	27,900	23,598	354	470
Duluth, South Shore & Atlantic	982	1,201	789	606	535
Elgin, Joliet & Eastern	8,669	10,283	10,364	9,506	10,610
Ft. Dodge, Des Moines & South	415	596	563	86	12[illegible]
Great Northern	25,452	26,067	24,691	6,667	5,24[illegible]
Green Bay & Western	417	569	577	901	74[illegible]
Lake Superior & Ishpeming	2,638	2,754	2,677	35	4[illegible]
Minneapolis & St. Louis	1,728	2,103	2,061	2,249	2,31[illegible]
Minn., St. Paul & S. S. M.	7,178	7,376	7,871	2,858	3,19[illegible]
Spokane International	11,097	11,127	11,815	5,577	4,94[illegible]
Northern Pacific	175	240	356	643	433
Spokane, Portland & Seattle	2,633	2,801	2,787	3,464	3,51[illegible]
Total	132,439	140,387	142,470	64,309	62,266
Central Western District—					
Atch., Top. & Santa Fe System	26,704	25,894	27,386	12,217	10,638
Alton	2,605	2,966	3,920	4,227	4,520
Bingham & Garfield	506	684	624	75	96
Chicago, Burlington & Quincy	16,651	15,809	18,510	11,703	10,884
Chicago & Illinois Midland	1,289	2,692	2,934	741	916
Chicago, Rock Island & Pacific	12,896	12,408	14,154	13,746	12,264
Chicago & Eastern Illinois	1,886	2,221	2,978	6,207	4,046
Colorado & Southern	662	750	725	1,648	1,82[illegible]
Denver & Rio Grande Western	2,510	3,337	2,464	5,919	5,576
Denver & Salt Lake	334	599	478	15	1[illegible]
Fort Worth & Denver City	1,226	1,691	1,363	2,603	1,279
Illinois Terminal	1,829	1,702	2,031	1,741	2,19[illegible]
Missouri-Illinois	1,052	1,148	1,058	428	56[illegible]
Nevada Northern	2,004	2,040	1,984	108	12[illegible]
North Western Pacific	1,021	1,165	874	716	532
Peoria & Pekin Union	0	16	14	0	0
Southern Pacific (Pacific)	33,137	32,608	30,669	14,763	10,053
Toledo, Peoria & Western	295	314	281	1,974	1,504
Union Pacific System	13,277	12,777	15,842	17,196	13,039
Utah	97	622	273	3	59
Western Pacific	2,451	2,009	1,863	4,194	3,729
Total	122,492	123,452	130,425	100,230	83,860
Southwestern District—					
Burlington-Rock Island	1,285	214	161	221	225
Gulf Coast Lines	5,676	4,513	2,382	2,363	2,254
International-Great Northern	2,136	2,913	2,331	3,222	2,383
Kansas, Oklahoma & Gulf	251	343	253	993	1,270
Kansas City Southern	5,701	4,747	2,722	2,915	2,781
Louisiana & Arkansas	4,053	4,249	2,067	3,144	2,341
Litchfield & Madison	273	297	394	1,250	1,198
Midland Valley	412	680	517	243	153
Missouri & Arkansas	155	151	158	385	269
Missouri-Kansas-Texas Lines	5,985	5,267	4,664	6,010	4,075
Missouri Pacific	16,005	15,562	18,385	18,160	19,507
Quanah Acme & Pacific	297	153	93	245	159
St. Louis-San Francisco	7,477	9,158	9,463	10,371	8,151
St. Louis Southwestern	2,783	2,805	2,888	6,720	6,737
Texas & New Orleans	13,646	11,014	7,278	5,676	4,480
Texas & Pacific	4,867	5,233	4,209	7,271	8,019
Wichita Falls & Southern	88	119	188	41	65
Weatherford M. W. & N. W.	22	31	11	21	23
Total	71,112	67,449	58,164	69,251	64,090

*Previous week's figure.
Note—Previous year's figures revised.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1943—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity	
				Current	Cumulative
Mar. 6	175,178	147,830	480,802	93	89
Mar. 13	166,885	146,062	498,927	93	89
Mar. 20	155,116	149,096	504,414	92	90
Mar. 27	139,911	150,754	488,197	95	90
Apr. 3	172,412	153,030	511,220	85	90
Apr. 10	153,260	153,006	510,784	95	91
Apr. 17	164,805	152,494	515,700	96	92
Apr. 24	159,231	155,163	517,473	97	92
May 1	147,212	135,924	525,287	89	92
May 8	165,871	153,934	522,336	96	92
May 15	177,968	151,653	561,571	96	93
May 22	142,673	152,960	548,911	96	93
May 29	151,308	150,504	545,673	95	93
Jun. 5	168,051	141,337	565,291	92	93
Jun. 12	172,437	149,675	586,183	97	93
Jun. 19	136,166	142,865	561,945	95	93
Jun. 26	133,803	145,324	547,301	96	93

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

New Loan Plan At Cgo. Home Loan Bank

A new type of loan has gone into effect at the Federal Home Loan Bank of Chicago with the objective of releasing additional funds to the Treasury for waging war, A. R. Gardner, President, announces. A special 2% rate on a one-year advance, with or without amortization, is offered to savings and loan associations in the Illinois-Wisconsin district which use it specifically for retiring their shares now held by the Treasury and the Home Owners' Loan Corporation, he said. The announcement from the Bank June 25 stated:

"Ninety-seven associations in the district still have some Government-owned shares outstanding, in total amount of $14,127,900 and they are expected to pay back to the Treasury in July at least half of this amount, as a result of the Bank's new loan arrangement. The associations in this district originally had $29,958,500 of such funds, invested when there was a scarcity of local and private capital for home building. Ever since the war they have been paying it off ahead of schedule, as their receipts of local funds permitted, Mr. Gardner said, and already so far in 1943 a total of $7,758,900 has been handed back to the war coffers of the nation. The new loan plan will speed up still further this phase of the association's war program.

Special Libraries Ass'n Elects Officers

At the recent wartime conference of the Special Libraries Association, the following officers were elected for the year 1943-1944:

*Eleanor S. Cavanaugh, Librarian, Standard & Poor's Corp., President.

Walter Hausdorfer, Librarian, School of Business, Columbia University, First Vice-President.

Phillips Temple, Librarian, Riggs Memorial Library, George Washington University, Washington, D. C., Second Vice-President.

*Jean Norcross, Librarian, Dun & Bradstreet, Treasurer.

Ford Pettit, Director, Detroit News Library, Director for three years.

Mrs. Kathleen B. Stebbins was reappointed Secretary of the Association by the Executive Board.

Miss Alma C. Mitchill, Librarian, Public Service Corporation of New Jersey, was reappointed Editor of "Special Libraries."

The election of officers of the Association's Financial Group was reported in our issue of July 1, page 28.

*Reelected.

Chicago Home Loan Bank Semi-Annual Dividend

Distribution of a semi-annual dividend at the rate of 1½% per annum to stock of record June 30 will take place on July 15, the Federal Home Loan Bank of Chicago announced to its stockholders on July 1. A total of $148,359 will be paid, of which $42,054 will go to the member savings, building and loan associations in Illinois and Wisconsin, and $106,304 to the Reconstruction Finance Corporation which took over the Treasury-owned stock in the regional banks three years ago.

This current dividend continues the same return which has been paid on the bank's capital for the past two and one-half years, and makes a total of $2,334,943 which the government-owned stock has received from this reserve operation in the home-owner credit field since the bank was established 10½ years ago, according to A. R. Gardner, President. This bank has paid a dividend either annually or semi-annually ever since it started operations, he recalled.

Items About Banks, Trust Companies

(Continued from page 131)

of condition at the close of business June 30, 1943, shows total resources of $1,059,702,656 and total deposits of $931,086,515, compared with $1,009,121,178 and $882,706,810 on March 31, 1943. Cash and due from Federal Reserve Bank and other banks, including exchanges, is listed at $180,174,553 against $198,109,465 three months ago; holdings of United States obligations, $700,195,106, compared with $640,766,090, and loans and discounts, $61,347,383 against $44,576,695. Capital and surplus remain unchanged at $10,000,000 and $100,000,000, respectively. Undivided profits are given as $13,028,303, after making provision for the July 1 dividend of $2,000,000, compared with $11,758,384 on March 31, after providing for the April 1 dividend of $2,000,000.

Public National Bank and Trust Co. of New York reported, as of June 30, total deposits of $281,191,456 and total assets of $304,415,592, compared respectively with $243,970,434 and $266,541,416 on March 31, 1943; cash on hand and due from banks amounted to $61,087,893, against $59,687,266; holdings of U. S. Government Securities $164,087,802 against $128,556,513, and loans and discounts to $68,329,078 against $66,311,040; capital at $7,000,000 is unchanged; surplus, which was $7,000,000 on March 31, 1943, is now $9,000,000, having been increased in June by a transfer of $2,000,000 from undivided profits. The latter now stands at $2,905,593, as compared with $4,726,376 at the end of March. The transfer of $2,000,000 from undivided profits to surplus does not affect the bank's reserves. The bank reported earnings for the first six months ending June 30, 1943, of $1.51 per share, as compared with $1.41 per share for the same period last year. Earnings for the second quarter of 1943 were 82 cents per share as compared with 74 cents per share for the second quarter of 1942.

William J. Murray, Jr., President and a director of McKesson & Robbins, Inc., was on July 1 elected a member of the Board of Directors of the Bank of Manhattan Company of New York.

Following a meeting of the Board of Directors of the Bank, on July 1 F. Abbot Goodhue, President, announced the following promotions:

Frank M. Ransom, formerly Assistant Vice-President, to Vice-President.

John C. Becker, formerly Assistant Cashier, to Assistant Vice-President.

William R. Driver, Jr., formerly Assistant Cashier, to Assistant Vice-President.

Joseph M. Hayden, formerly Assistant Cashier, to Assistant Vice-President.

Charles J. Kennedy was appointed Assistant Cashier.

Briant S. Cookman and Andrew J. Cheritree have been appointed Assistant Trust Oifficers of City Bank Farmers Trust Co., New York City.

The Continental Bank & Trust Company of New York reported as of June 30 total deposits of $105,963,432 and total assets of $116,617,957 compared, respectively, with $98,332,767 and $109,135,244 on March 31. Cash on hand and due from banks amounted to $23,695,884 against $27,235,163; holdings of U. S. Government obligations to $48,852,567 against $40,370,799; loans and discounts to $32,260,334 against $28,738,960. Capital and surplus are unchanged at $4,000,000 and $3,000,000 respectively. Undivided profits are now $1,948,556 against $1,851,969 at the end of March.

Statement of condition of Sterling National Bank & Trust Company of New York at June 30, 1943, shows an all-time high of resources and deposits of $81,755,404 and $75,885,248 as compared with $68,287,342 and $63,101,352, respectively, as of March 31, 1943. Of the June total deposits of $75,885,248, U. S. Government deposits increased to $9,661,832 as compared with $4,302,533 on March 31 last, and commercial and other deposits were at a new record high of $66,223,416. Capital, surplus and undivided profits totaled $4,373,556 as against $4,331,947 on March 31, 1943.

Cash and due from banks amounted to $18,621,017 on June 30 against $17,514,759 on March 31; U. S. Government securities increased to $40,088,529 as compared with $28,743,668 on March 31; State, municipal and corporate securities were $1,422,920 against $1,411,314; loans and discounts $20,598,675 against $20,085,876. Stock in Federal Reserve bank remained the same, namely $120,000. Reserves totaled $655,905 as compared with $582,525 on March 31, 1943.

The statement of condition of Grace National Bank of New York as of June 30, 1943, shows deposits of $64,208,157.45 as compared with $59,365,046.03 on March 31, 1943 and $55,945,037.65 a year ago. Undivided profits amounted to $1,086,142.03 as compared with $1,021,649.18 on March 31, 1943, and $894,940.01 a year ago. Cash in vault and with banks totaled $15,380,621.40 as compared with $15,688,500.31 on March 31, 1943, and $18,530,832.55 a year ago. U. S. Government securities were $34,090,913.46 as compared with $31,367,120.05 on March 31, 1943, and $21,131,764.98 a year ago. Loans and discounts were $13,635,490.91 as compared with $11,500,451.73 on March 31, 1943, and $13,905,904.25 a year ago.

Brown Brothers Harriman & Co., private bankers, report that deposits as of June 30, 1943, totaled $143,766,723 compared with $145,930,119 three months ago and $139,381,529 a year ago. Total assets on June 30 amounted to $165,666,602 compared with $166,477,869 on March 31, 1943, and $161,700,601 on June 30, 1942. Capital and surplus of $13,485,777 at the latest date compared with $13,465,913 three months ago and $13,405,915 a year ago. Loans and advances are now shown as $27,551,987 against $25,870,596 on March 31, 1943, and $28,592,885 on June 30, 1942. Other important asset items compare as follows with figures for three months and a year ago: cash, $32,583,399 against $41,989,284 and $41,475,856; United States Government securities (valued at of cost or market), $66,446,330 against $63,660,603 and $59,686,418; marketable bonds and stocks (valued at lower or cost or market), $16,087,038 against $14,968,373 and $13,524,301.

J. Henry Schroder Banking Corporation reports total resources of $51,681,036 as of June 30, 1943, against $42,215,156 on March 31, 1943. Cash on hand and due from banks was $8,568,768 against $5,304,891. U. S. Government securities were $28,867,407 against $23,040,815; customers' liability on acceptances (less anticipations) $5,655,300 compared with $4,903,057 in March. Surplus and undivided profits were $2,620,632 against $2,615,276 in the previous quarter; amount due customers was $34,767,176 against $27,389,141. Acceptances outstanding were $8,088,138 against $6,455,445.

Schroder Trust Company reported June 30 resources of $28,283,273 compared with $29,145,549 on March 31; cash and due from banks $5,467,536 against $6,601,483; U. S. Government securities $17,272,759 against $16,581,530; loans and discounts, $3,543,363 against $3,913,414. Surplus and undivided profits were $2,024,939 against $1,874,701. Deposits were $24,492,288 against $25,531,852.

Fulton Trust Company of New York reports total deposits of $29,295,863 and total assets of $34,501,175 in its statement of June 30, 1943, compared with deposits of $26,462,859 and assets of $31,672,887 on March 31, 1943. Cash, U. S. Government securities and demand loans secured by collateral amounted at the latest date to $30,426,107 against $27,075,616 on March 31, 1943. State and municipal bonds are now 489,334, as compared with $820,053; time loans secured by collateral at $917,494, contrast with $973,784 on March 31, 1943. Capital and surplus show no change in total at $4,000,000, but undivided profits have increased to $968,662, after dividend payable July 1, 1943, as compared with $964,661 shown on March 31, 1943.

The Colonial Trust Company of New York reported as of June 30 total deposits of $26,168,113 and total assets of $27,823,041, compared respectively with $24,045,524 and $25,586,340 on Dec. 31, 1942. Cash on hand and due from banks amounted to $7,261,630 against $7,112,563; holdings of United States Government securities to $12,082,812 against $10,084,391 and loans and bills purchased to $7,540,388 against $7,713,212. Capital is unchanged at $1,000,000 and surplus and undivided profits are now $451,338 against $417,079 at the end of December.

The statement of condition of the Brooklyn Trust Company of Brooklyn, N. Y., as of June 30, 1943, showed total deposits of $180,869,131, comparing with $165,559,340 on March 31 last. The statement also shows total resources of $196,573,682 against $181,170,300 three months ago. Holdings of United States Government securities are $117,612,949 against $100,330,254, and total loans and discounts were $25,533,865 against $23,223,244. Cash on hand and due from banks, including the Federal Reserve Bank of New York totaled at the latest date $40,125,697 against $42,995,222 on March 31. Surplus showed an increase of $50,000 during the quarter, being $4,725,000 against $4,675,000 on March 31. Undivided profits are now $1,432,986 against $1,431,666. Capital of $8,200,000 is unchanged.

Andrew Roscoe, President of the South Brooklyn Savings and Loan Association, announced on July 1 the merger of the South Brooklyn Savings and Loan Association and the Prospect Savings and Loan Association. Henceforth, it is announced, the organization will be known as the South Brooklyn Savings and Loan Association, and its main office will be located at Willoughby and Jay Streets, with the Prospect's office at 340-A Ninth Street, being maintained as a branch. W. Gordon Dunsmore will assume managership of this branch. The State Banking Department gave its approval of the merger on July 1.

Lafayette National Bank of Brooklyn in New York, as of June 30, 1943, reports total resources of $20,215,873, an increase of $4,826,886 as of the same period for 1942; deposits are shown as $18,808,423 as against $14,060,034, an increase of $4,748,388.48. Surplus, undivided profits and Reserves are reported as $613,613 as against $525,974, an increase of $87,639.

The Mechanics & Farmers' Bank of Albany, the last non-insured commercial bank in New York State to become a member of Federal Deposit Insurance Corp., has joined the Federal Reserve system, it was announced on June 30 by the Federal Reserve Bank of New York.

John D. Hayes, President and Chairman of the Board of Fanny Farmer Candy Shops, Inc., and Joseph J. Myler, Secretary and Treasurer of Neisner Bros., Inc., have been elected to the Board of Directors of the Genesee Valley Trust Co., Rochester, N. Y.

The Asbury Park (N. J.) National Bank and Trust Co. observed on July 1 and its 32nd anniversary. Opened for business in 1911 the bank in its statement as of July 1, 1912, showed capital funds of $126,000, deposits of $192,000 and resources of $349,000. In its current statement, as of July 1, 1943, the institution has capital funds of $931,000, deposits of $8,222,000 and resources of $9,150,000.

Common Trust Fund-A of the Peoples-Pittsburgh Trust Co., Pittsburgh, has begun its fourth year of operation with an increase of 1,300% over the number of its original participants, according to Gwilym A. Price, President. The principal of the fund increased from $100,000 to $3,501,594.75 in the same three-year period. The fund, it is stated, earned $4.08 on its unit of investment in 1942, which is equivalent to a yield of 4.01% of the average value of each unit during the year. The principal value of each unit increased from $96 in June, 1942, to $109.01 in June, 1943.

Participating trusts whose investments were subject during 1942 to the Pennsylvania Personal Property Tax earned $3.74 on each unit, which is equal to a yield of 3.68% on their average value during the year. The bank's Common Trust Fund-A was created in June, 1940, with 23 trust accounts. At the beginning of the fourth year of operation the number of participating trusts had risen to 328. Participation of any one trust in the fund is limited to $25,000.

"The purpose of the fund," Mr. Price said, "is to provide the same diversification and consequent security for smaller trusts as are directly available to larger ones." The fund is governed by Federal Reserve Regulations and by Pennsylvania statute, as well as by the bank's own plan, which conforms to Governmental requirements.

William C. Appleton, President of the American Viscose Corporation, was on June 17 elected a member of the Board of Directors of the Delaware Trust Co., Wilmington, Del.

Holman D. Pettibone, President of the Chicago Title and Trust Company of Chicago, Ill., announces the appointment of Clarence J. Olsen as Assistant Trust Officer and Robert R. Kimbell as Assistant Secretary.

Joseph M. Dodge, President of The Detroit Bank, Detroit, announces the promotion of the following officials of the bank's staff: William K. Muir, Assistant Vice-President, to Vice-President; Milton J. Drake, Assistant Cashier, to Assistant Vice-President, and William B. Hall, Assistant Cashier, to Assistant Vice-President.

Reflecting the prosperity of California under war conditions, the statement of condition of Bank of America N. T. & S. A. (head office, San Francisco), as of June 30, 1943, reveals that resources of the bank have passed the $3,000,000,000 milestone. Total resources were $3,127,637,000, a gain of $984,435,000 over a year ago. Deposits attained the peak of $2,937,266,000, an increase of $978,835,000 over a year ago and an increase of $351,125,000 since Dec. 31, 1942. Loans and discounts outstanding, which aggregated $777,652,000, decreased $62,817,000, while investments and securities, amounting to $1,707,431,000, increased $441,681,000 over Dec. 31, 1942. This increase was almost entirely in United States Government securities, bringing the bank's total investment in such securities to $1,470,535,000. In its advices the bank also says:

"Earnings for the half year, after operating expenses and accruals for taxes, were $14,278,000. From this total, $2,637,000 was reserved for depreciation of bank premises and amortization of bond premiums and $2,181,000 was set up in reserves and applied to the absorption of losses and the revaluation of assets. After payment of $5,207,000 in dividends at the annual rate of $2.40 per share on the common stock and $2.00 per share on the preferred stock, and after profit-sharing bonus to employees, capital funds were increased from earnings for the six months' period by $3,856,000. This, with the dividend, is equal to an annual rate of approximately $4.33 per share on the common stock.

"Following the policy previously established, one-half of the net increase in undivided profits for the period was transferred to unallocated reserve for war contingencies.

"Capital funds, including reserves, now total $161,525,000, which is an increase of $1,123,000 for the half year ended June 30, 1943, after the utilization of $2,733,200 to retire 54,664 shares of preferred stock during the period."

President L. M. Giannini commented that Bank of America was continuing to direct all its energies and resources to maximum support of the war effort. He said:

"At the same time we are not overlooking the necessity for planning and laying the foundation for support to all industrial, agricultural and business activity in the approaching post-war period. We are preparing to render every possible assistance to the reconversion processes and the continuance of a high rate of industrial employment in California."

Deposits of the Wells Fargo Bank & Union Trust Co. of San Francisco totaled $399,920,963 on June 30, 1943, according to the statement of condition released at the call of the State Superintendent of Banks. A year ago deposits amounted to $335,036,931. During the year holdings of bonds increased to $272,069,092 from $215,887,410 a year earlier, there being a considerable increase in holdings of United States Government securities whereas holdings of other bonds declined. Cash increased to $105,132,593 from $86,145,551. Loans are less than a year earlier. The bank's capital accounts amounted to $18,426,885 as compared with $18,036,645 a year earlier.

In its published report of condition as of June 30, United States National Bank of Portland, Ore., again tops all previous highs, showing deposits of $328,571,625 as compared with $208,105,063 a year ago the same date. This indicates a gain of $120,466,562, an accelerated rate of growth averaging $10,000,000 per month. Resources as per this latest statement register $342,266,995, a gain of $121,444,874 over the $220,822,121 recorded a year ago.

Arthur Bevington Gillett has been elected Deputy Chairman of Barclays Bank (Dominion, Colonial and Overseas).